

**NOMINATIONS OF: JOANN JOHNSON  
DEBORAH MATZ, ANTHONY S. LOWE  
CYNTHIA A. GLASSMAN, AND ROEL C. CAMPOS**

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**HEARINGS**  
BEFORE THE  
**COMMITTEE ON**  
**BANKING, HOUSING, AND URBAN AFFAIRS**  
**UNITED STATES SENATE**  
**ONE HUNDRED SEVENTH CONGRESS**  
SECOND SESSION  
ON

NOMINATIONS OF:  
JOANN JOHNSON, OF IOWA, TO BE A MEMBER OF THE  
CREDIT UNION ADMINISTRATION BOARD  
DEBORAH MATZ, OF NEW YORK, TO BE A MEMBER OF THE  
CREDIT UNION ADMINISTRATION BOARD  
ANTHONY S. LOWE, OF WASHINGTON, TO BE ADMINISTRATOR OF THE  
FEDERAL INSURANCE AND MITIGATION ADMINISTRATION  
FEDERAL EMERGENCY MANAGEMENT AGENCY  
CYNTHIA A. GLASSMAN, OF VIRGINIA, TO BE MEMBER OF THE  
SECURITIES AND EXCHANGE COMMISSION  
ROEL C. CAMPOS, OF TEXAS, TO BE A MEMBER OF THE  
SECURITIES AND EXCHANGE COMMISSION

MARCH 14, MAY 8, AND JULY 23, 2002

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# C O N T E N T S

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## THURSDAY, MARCH 14, 2002

	Page
Opening statement of Chairman Sarbanes .....	1
Opening statements, comments, or prepared statements of:	
Senator Gramm .....	2
Senator Johnson .....	2
Prepared statement .....	14

### WITNESS

Charles E. Grassley, a U.S. Senator from the State of Iowa .....	5
Prepared statement .....	14

### NOMINEES

JoAnn Johnson, of Iowa, to be a Member of the Credit Union Administration Board .....	4
Prepared statement .....	15
Biographical sketch of nominee .....	17
Deborah Matz, of New York, to be a Member of the Credit Union Administration Board .....	6
Prepared statement .....	25
Biographical sketch of nominee .....	26

### ADDITIONAL MATERIALS SUPPLIED FOR THE RECORD

Letter to Senator Paul S. Sarbanes from the National Association of Federal Credit Unions, dated March 6, 2002 .....	35
--	----

---

## WEDNESDAY, MAY 8, 2002

Opening comments of Chairman Sarbanes .....	37
---	----

### WITNESS

Mike DeWine, a U.S. Senator from the State of Ohio .....	37
Prepared statement .....	48

### NOMINEE

Anthony S. Lowe, of Washington, to be Administrator of the Federal Insurance and Mitigation Administration, Federal Emergency Management Agency .....	40
Prepared statement .....	48
Biographical sketch of nominee .....	50
Response to written questions of Senator Akaka .....	54

---

## TUESDAY, JULY 23, 2002

Opening statement of Chairman Sarbanes .....	57
--	----

#### IV

	Page
Opening statement, comments, or prepared statements of:	
Senator Enzi .....	58
Senator Akaka .....	60
Senator Allard .....	61
Senator Dodd .....	61
Senator Corzine .....	66
Senator Gramm .....	74

#### NOMINEES

Cynthia A. Glassman, of Virginia, to be a Member of the Securities and Exchange Commission .....	63
Prepared statement .....	78
Biographical sketch of nominee .....	79
Response to a written question of Senator Corzine .....	117
Roel C. Campos, of Texas, to be a Member of the Securities and Exchange Commission .....	64
Prepared statement .....	103
Biographical sketch of nominee .....	105
Response to a written question of Senator Corzine .....	117

**NOMINATIONS OF:  
JOANN JOHNSON, OF IOWA  
AND  
DEBORAH MATZ, OF NEW YORK  
TO BE MEMBERS OF THE  
NATIONAL CREDIT UNION  
ADMINISTRATION BOARD**

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**THURSDAY, MARCH 14, 2002**

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Committee met at 3:20 p.m. in room SD-538 of the Dirksen Senate Office Building, Senator Paul S. Sarbanes (Chairman of the Committee), presiding.

**OPENING STATEMENT OF CHAIRMAN PAUL S. SARBANES**

Chairman SARBANES. The Committee will come to order.

I am pleased to welcome before the Banking, Housing, and Urban Affairs Committee this afternoon the two nominees to be members of the board of the National Credit Union Administration, JoAnn Johnson of Iowa and Deborah Matz of New York.

Both of these nominees received recess appointments to the Board on January 22, and therefore are currently serving as members of the board. The Committee today will consider their nominations for terms on the board. If confirmed, Ms. Johnson's term would expire on August 2, 2007 and Ms. Matz's term would expire on August 2, 2005.

Ms. Johnson graduated from the University of Northern Iowa in 1971. She owned and ran a family farm from 1971 until 1995. From 1995 until she received her recess appointment to the NCUA, she was a member of the Iowa State Senate, where she served 4 years as Chair of the State Senate Ways and Means Committee, and most recently as Chair of the Commerce Committee.

Ms. Matz received her undergraduate degree from Cornell in 1971, a master's degree from George Washington in 1976. She was a Community Development Representative for the New York area office of HUD right out of college, and then she worked with Congressman Peter Peyser of New York, whom we knew, as his legislative assistant. She then worked as an Economist for the Joint Economic Committee of the Congress from 1977 to 1984, and again from 1987 until 1989. She then worked at the Department of Agri-

culture over the last 8 years in several senior executive positions, including Deputy Assistant Secretary for Administration. After leaving the Agriculture Department she worked as an Executive Officer with the Washington office of the Food and Agricultural Organization of the United Nations.

Both of these nominees bring an independent background and perspective to the board of the National Credit Union Administration, and I expect to support their nominations. They also are in the somewhat unusual circumstance of having their nominations considered by the Senate for the first time after they have begun service in the positions for which they have been nominated. They are therefore in a position perhaps to share with the Committee their views on the positions for which they have been nominated based on a brief but nevertheless useful tenure on the board, and we look forward to their statements.

With that, I yield to Senator Gramm.

#### **COMMENTS OF SENATOR PHIL GRAMM**

Senator GRAMM. Mr. Chairman, thank you very much. I will be very brief.

We have two excellent nominees and I intend to support them both. I want to thank you for being willing to engage in public service. It is a very high calling, and it is vitally important.

Also, I want to urge each of you as a member of this regulatory body to always remember that you are not there to represent the interests of credit unions. You are there to represent the interests of the working men and women of the United States of America. It is their interest that should always be put first, and I look forward to working with both of you in your capacity as confirmed members of the board.

Thank you very much.

Chairman SARBANES. Thank you very much, Senator Gramm.  
Senator Johnson.

#### **STATEMENT OF SENATOR TIM JOHNSON**

Senator JOHNSON. Mr. Chairman, thank you very much for moving forward so quickly with the confirmation of Deborah Matz and JoAnn Johnson to the NCUA board. It is a special pleasure for me today to welcome in particular nominee Matz before the Committee. I have known Debbie and her husband Marshall for many years. I am confident that Debbie will make a superb NCUA board member. She is here today with her husband Marshall and son Peter. Daughter Hayley is away at college right now, but it is a wonderful family and I know that Deborah will do a wonderful job at NCUA.

In fact, Mr. Chairman, I know that you know her abilities and reputation firsthand, because of her service as a Member of the Joint Economic Committee during your tenure as Chairman. In continuing her long and distinguished public service career, Debbie served as Deputy Assistant Secretary of Agriculture for Administration, filling a very important role of overseeing the administration of the Department of Agriculture's day-to-day operations.

I would like to take just a moment to thank the nominees for their willingness to serve on the NCUA board. I know that there

are more lucrative options, no doubt, in the private sector. But we are grateful to you for your commitment to public service.

Mr. Chairman, credit unions and the financial services industry have changed dramatically since the founding of the NCUA in 1970. Today our 10,000 credit unions, with over \$480 billion in assets, serve more than 79 million people in the United States with a broad array of services from basic savings accounts to credit cards to even home mortgages. Yet at the same time the basic mission of credit unions remains the same, to serve their members. Credit unions enjoy a tremendously loyal customer base, and most credit unions work hard to create an environment where members feel comfortable doing business.

Unfortunately, I have several commitments this afternoon that may prevent me from staying as long as I would like at this hearing. But there is an issue that I would like to ask the nominees to either address today or during the question and answer period, or filing a written submission to the Committee. With your permission Mr. Chairman, I would like to ask the question in my opening statement.

Chairman SARBANES. Sure.

Senator JOHNSON. And then at the appropriate time the nominees can respond.

Chairman SARBANES. I will be happy to yield to you right at the outset.

Senator JOHNSON. Let me just ask this question very quickly.

Many State-chartered credit unions have expressed concern over the process by which the NCUA establishes its overhead transfer rate. As I understand it, the overhead transfer rate is the amount of money taken out of the share fund to pay for the NCUA's insurance-related activities.

Historically, NCUA has estimated the transfer rate at 50 percent. Recently, however, it raised the rate to 67 percent and then lowered it to 62 percent. NCUA's overall budget is funded partially by exam fees from Federally chartered credit unions and partially by the share fund. When the transfer rate is increased, two things happen. One, the share fund provides a larger proportion of the NCUA budget, and two, exam fees for Federally chartered institutions go down, because exam fees end up representing a smaller proportion of the NCUA budget.

State-chartered credit unions have expressed concern about the increase to the 62 percent on both substantive and procedural grounds. I would be very interested to know our nominees' thoughts on the current overhead transfer rate; and in addition, do they believe that changes should be made in the way the NCUA board develops the transfer rate. More specifically, should there be greater transparency in the process?

Once again, Mr. Chairman, thank you for holding this timely hearing, and thank you again to two extraordinary nominees that are before us here today.

Chairman SARBANES. Thank you very much, Senator Johnson.

I will now turn to the nominees. It is the practice of this Committee to swear nominees in before giving their testimony, so I would ask you to stand and take the oath.

[Oath administered to nominees.]

Chairman SARBANES. Thank you very much. Senator Johnson, why don't we hear from you? I notice the staff, which is very sensitive to these matters, has put your nameplate there as Senator Johnson. I guess once a Senator, always a Senator.

[Laughter.]

Ms. JOHNSON. Always known by your highest title.

Chairman SARBANES. We would be happy to hear from you.

**STATEMENT OF JOANN JOHNSON, OF IOWA  
TO BE A MEMBER OF THE  
NATIONAL CREDIT UNION ADMINISTRATION BOARD**

Ms. JOHNSON. Thank you very much, Mr. Chairman.

Mr. Chairman, Senator Gramm, Senator Johnson, thank you very much for giving me the opportunity to appear today as a nominee for the board of the National Credit Union Administration. I am deeply honored to have been nominated by President Bush to serve our country in this way, and I am grateful for the attentive consideration this Committee has given me since the President forwarded my name to you for your consideration.

I would also like to thank Senator Grassley for all he has done on my behalf, helping me through this nomination process.

Chairman SARBANES. I know he was planning to try to be here to introduce you, but he is tied up as I understand it, we were informed, at a meeting of the Senate Judiciary Committee.

Ms. JOHNSON. Fine. He may try to stop by.

Chairman SARBANES. So we understand.

Ms. JOHNSON. Thank you.

I also want to thank NCUA Chairman Dennis Dollar for all of his assistance, and my new colleague, Deborah Matz, for her camaraderie as we travel a common course together. I would also like to acknowledge the constant support of my husband, Brian, who could not be here today.

In accepting the President's recess appointment on January 22, I traded in my legislator duties as an Iowa State Senator for regulator responsibilities, and having been a legislator, I appreciate and respect the distinction between the two. I learned the skills of a legislator and the need to hear all sides of an issue, and chart a course for an equitable solution. I will be continuing that policy at NCUA, if confirmed, and consultations with Congress will be an important part of the deliberative process I shall engage in as a NCUA board member.

I do not bring an agenda with me to this position, but I do have some standards that will guide my actions as a regulator. I want to be sure NCUA's core duties are done extremely well, maintaining a robust share insurance fund and an effective supervision program, critical elements to the independent credit union movement. I want to emphasize the wise use of resources at NCUA, and I want to be responsive to credit unions to develop prudent decisions that meet the needs of a dynamic and growing industry.

In my few weeks on the NCUA board, I have spent much of my time meeting with NCUA office directors, studying NCUA programs, and meeting with other interested parties to gain a fair assessment of the larger credit union picture. The consultations I have had with you, Mr. Chairman, and other Members of the Com-



mittee in preparation for this hearing have been valuable to me as I assess the challenges ahead.

My Iowa background encompasses a background of family agriculture, education, and community service. I have also served more than 7 years in the Iowa Senate. I was privileged to chair two committees, the Ways and Means Committee and the Commerce Committee in the Senate. My duties called on me to address and negotiate diverse issues concerning taxes and budgeting, commerce, financial institutions, and economic development. Consequently, I believe I will bring the necessary skills with me to judge fairly the important policies and issues that will come before me at NCUA.

I know this Committee is looking for the Board to exercise good judgment. That means maintaining a safe and sound credit union financial system, which is exactly what we have inherited and what I am committed to maintain and bequeath to my successors.

With so many people continuing to join credit unions around the country, more Americans, whether they know it or not, depend on the regulatory decisions and systems that ensure quality and integrity nationally. Well-run credit unions that efficiently provide consumer financial services in today's diverse marketplace are an essential and vital part of the financial community in the United States, providing members credit for provident and productive purposes, just as they have done since they began to fill those needs at the beginning of the last century.

Mr. Chairman, thank you for the opportunity to appear before the Senate Committee on Banking, Housing, and Urban Affairs today. I am honored to be here, and I pledge to work closely with you and Members of this Committee and the Congress during my term to ensure the continued health and sound policies for the Nation's credit union system.

Thank you.

Chairman SARBANES. Thank you very much.

Before we turn to Ms. Matz, we have been joined by Senator Grassley. Chuck, we went ahead because we understood you were tied up, but we would be very happy to hear from you now.

**STATEMENT OF CHARLES E. GRASSLEY  
A U.S. SENATOR FROM THE STATE OF IOWA**

Senator GRASSLEY. Thank you.

You have already been introduced to Senator JoAnn Johnson, so it is my privilege to speak in favor of her.

Chairman SARBANES. She just made a very good statement, so you are riding the wave here.

[Laughter.]

Senator GRASSLEY. And I hate to have this letdown, but you know me.

You know, it was about 16, 17 years ago I had the privilege of appearing before this Committee to introduce another Iowan, a former U.S. Senator from Iowa to this very same position. So it is a great deal of good feeling on my part that Iowans have so many well-qualified people to serve the National Credit Union people, and particularly to do it on their board.

So I am here to introduce you to one of the three Bush nominees for this board. Ms. Johnson and I have a lot in common in the

sense that we are both alumni of the University of Northern Iowa. Also we both served in the State legislature, although I served there before she was born, and we were both raised on farms and we grew up with an appreciation of a very unique way of life of the Midwest, maybe not just Iowa, but Iowa's kind of exceptional to us.

JoAnn Johnson has been serving the State of Iowa since she became a dedicated teacher after graduation from that good university that teaches people how to teach well. She was a teacher and coach at Adair-Casey High School, and not only was she teaching physical education classes, but she also did the community things like teaching Sunday school and helping youth in 4-H clubs.

Now since 1994, JoAnn Johnson has consistently displayed her leadership talents in the Iowa State legislature, being Chair of the Senate Commerce Committee. As chair of the Iowa Senate Ways and Means Committee, she helped reduce the tax burden for Iowans by over \$700 million, helped to restructure the utility property tax system, and cochaired a 2 year interim study on State tax structure. In 1999, she was named Senator of the Year by an outstanding trade association in Iowa, the Associated General Contractors.

Not only is she a leader, but I think something you have to be when you are a regulator, as she is in this position—you have to be a listener. She makes sound judgments after hearing both sides of the issue. She is dedicated to the people helping people philosophy that is the basis for credit unions, and as credit unions exist solely for the purpose of serving their members, I am confident that JoAnn Johnson will act in the best interests of all credit unions and the communities they serve, and for the national good. She is a voice that is right for the National Credit Union Board.

Thank you, Mr. Chairman.

Chairman SARBANES. Thank you very much. We certainly appreciate your statement. I know you have a very tight schedule, so we understand if you have to excuse yourself.

Ms. Matz, we would be happy to hear your statement.

**STATEMENT OF DEBORAH MATZ, OF NEW YORK  
TO BE A MEMBER OF THE  
NATIONAL CREDIT UNION ADMINISTRATION BOARD**

Ms. MATZ. Thank you.

Chairman Sarbanes, Senator Gramm, Senator Johnson, I appear before you today as a board member and nominee to the board of the National Credit Union Administration. With me today is my husband, Marshall Matz, and our son Peter, a sophomore at Langley High School in McLean, Virginia. Our daughter Hayley, a junior at Tulane University, is listening online.

Chairman SARBANES. Not a bad deal, Peter, to get out of school today for this event.

[Laughter.]

Ms. MATZ. Mr. Chairman, first, I would like to thank you and the Committee for conducting this hearing so quickly after my nomination, especially given your full agenda. I appreciate the counsel and support that I have received from your staff, Steve Harris, Marty Gruenberg, and Judith Keenan, in particular.

I am especially grateful to the distinguished Senate Majority Leader, Senator Tom Daschle, for recommending me, and to President Bush for nominating me to this position. Senator Daschle's support and confidence is deeply appreciated.

I would like to thank NCUA Chairman Dennis Dollar and my fellow board member and nominee, JoAnn Johnson, for their warm welcome, and the spirit of professional collegiality that already exists on the board. And last, but not least, I want to thank the talented staff at NCUA who have provided thorough briefings and insights on many of the functions of this independent agency.

Mr. Chairman, if confirmed, I will bring to the NCUA Board over 20 years of public sector experience. For 9 years, I served as an Economist with the Joint Economic Committee of Congress, followed by 7 years as a Presidential Appointee at the U.S. Department of Agriculture. While at USDA I chaired the Loan Resolution Task Force, created to resolve delinquent farm loans in excess of \$1 million. When I was appointed to the Task Force, the portfolio was over \$1 billion in principal; when the Task Force ended, we had resolved virtually all of the loans that were not encumbered by litigation or bankruptcy proceedings.

What type of board member and regulator do I hope to be? I will have several guiding principles. I will work hard to ensure that credit unions remain safe and sound financial institutions. As a member of three credit unions, I will be dedicated to the goals and purposes of the original enabling legislation. I strongly identify with the ideal of helping working people and others who are not being served by traditional financial institutions. I will strive to be recognized as a fair and thoughtful regulator—one who realizes the value and necessity of regulation while being sensitive to the needs of those who are being regulated. If confirmed, I will work closely with all the Members of this Committee and Members of Congress, to insure the financial integrity of credit unions in a changing environment.

In closing, I consider credit unions to be the jewel in the crown of the financial service sector. I will work diligently to protect this precious jewel, to end predatory loan practices, and to extend the benefits of credit unions to all eligible Americans, particularly the underserved.

Mr. Chairman, thank you again for the opportunity to appear before you today. I would be pleased to answer any questions that you and your colleagues might have.

Chairman SARBANES. Thank you very much. I thank both of you for very good statements.

As I indicated, I yield my time to Senator Johnson so he can pursue inquiry.

Senator JOHNSON. Thank you, Mr. Chairman. I do not mean to be stepping out of line here.

But as I observed, the question that I raised earlier in my opening statement had to do with the transfer rate and the transparency of the process determining those rates, and I wonder whether either of you would have any observations to share with us. I know that you are relatively early on in your career as a regulator, and it may be a bit unfair to spring this on you, but it is a question that I think is a fundamental one, and one that I think

there is a great deal of interest in. Senator Johnson, any observations about the process or the proper rate?

Ms. JOHNSON. Yes, sir.

I recognize that there is considerable debate among the industry on this issue. Having come from a State legislative position and working within a State that has primarily State-chartered credit unions, I had heard a little bit about the overhead transfer rate, and have thus heard more since I arrived here.

The previous board adopted what they thought was a fair rate, and it actually was a reduction from 66 percent down to 62 percent. They believed that that reflected the insurance costs that they were incurring, and as you know that rate is set for the next 2 years. The NCUA has had an outside consultant evaluate the process, and there were no significant flaws cited in that report. However, the report is ongoing.

During my tenure, I intend to study this issue very closely. I have received the assignment, so to speak, of being the liaison to the National Association of State Credit Union Supervisors, or (NASCUS), and will be attending the NASCUS conference very soon, where I know I am going to hear more on this issue. I will study it and the recommendations that have been made by the outside consultant, and it would be my intent to be a very prudent steward of the resources and to run a lean and efficient agency.

Senator JOHNSON. Very good.

Ms. Matz, any observations you would share with us on this issue?

Ms. MATZ. I too have met with several of the State regulators and executives from State-chartered credit unions, and have heard a great deal about this issue. I told them that I would study this issue carefully. The Board does not have to act on this issue for another couple of years, so it is not an issue that I have looked into in depth, but I will, and I would be happy to work with you and your staff before we come to any agreement about how we are going to proceed.

Senator JOHNSON. I think that is all that can be asked for.

I appreciate your observations on both the substance of the rate and the transparency issue on process, and there is no question that this is an issue that will continue to be with us for some time. I have a great deal of confidence that you both will apply your best energy and thought to this issue. Thank you.

Chairman SARBANES. Thank you, Senator Johnson.

Senator Gramm.

Senator GRAMM. Mr. Chairman, Senator Johnson—I know her mom is here. I do not know what other family members have come. I wanted to give her an opportunity to introduce her mother and whoever else is here that she would like to introduce.

Ms. JOHNSON. Thank you, Senator.

I would like to introduce Jean Johnson, who is sitting here in the front row. And I will introduce one other Iowan who I have with me. Julie Starnes will be joining me at the NCUA staff, so I am pleased to have Julie here as well.

Chairman SARBANES. We are pleased to have both of them here.

Senator GRAMM. I have always thought that a candidate supported by their mother must be all right.

[Laughter.]

Chairman SARBANES. One not supported by their mother is certainly not the right one.

[Laughter.]

Senator GRAMM. If your mother is not with you, you would better check your hand. I remember once I was debating Claude Pepper—you remember old Claude? And we were talking about Medicare, which is an excruciatingly difficult subject, and I got this note from the cloak room that I had a telephone call. So I walked to the cloak room, and my mother was on the phone. She says, “When that sweet Claude Pepper’s talking, you shut up and you listen to what he’s got to say.”

[Laughter.]

Senator GRAMM. Of course, Claude Pepper was as wrong as he could be.

[Laughter.]

Senator GRAMM. But I shut up and listened to what he had to say.

Mr. Chairman, I do not have any questions. I just would have this observation. At the beginning of every Congress, I go back and read the Constitution. I have always thought if I were on a regulatory body, that every 2 years I would go back and read the Act that established that body and set the rules.

I would have to say that my dealings with credit unions have been very positive in my career in the Senate. The credit union in the modern era is an unusual entity in that it is a cooperative. It was established for a specific purpose. As I like to say, everybody should have an opportunity to join a credit union, but they ought not to have an opportunity to join the same credit union. So, the whole scope of membership is a very difficult issue, and it is an issue that it seems to me that you have to go back to the founding principles and judge things on the basis of them.

Another issue is the role of credit unions. One of the problems with any institution is that it tends to move away from its original objective. And I think it is something that in your capacity, you need to watch very closely. I would have to say my State has a very large number of credit unions. Our credit unions perform excellent service, and I think they are basically safe and sound institutions.

But, it is very important to look at the scope of membership issue. You had the question from Senator Johnson, basically related to the insurance fund, and it is never popular to raise fees. It is always popular to lower them. But, your mandate is to try to figure out what is in the public interest, and whatever is in the public interest will ultimately be in the interest of credit unions.

So I look forward to working with you.

Thank you, Mr. Chairman.

Chairman SARBANES. Thank you very much, Senator Gramm.

I would like to first pursue one of the points Senator Gramm mentioned. This Committee moved quickly in 1998 with the Credit Union Membership Access Act after the credit union movement faced, in a sense, a very difficult decision handed down by the Supreme Court that might well have—I mean, the predictions of the impact on the credit union movement were quite strong, and I think probably correct.

That legislation, which provided a statutory basis for the multiple common bond, which is now in practice, also included a number of safety and soundness reforms which were based upon recommendations from the Treasury Department as a consequence of a very detailed study. Those included establishing of statutory capital standards for credit unions, and a system of prompt corrective actions to enforce those standards. Have you had a chance to evaluate how well that aspect of that legislation is being carried out, the safety and soundness reforms? Senator Johnson?

Ms. JOHNSON. In our early weeks as members of the board, we have dealt with some prompt corrective action situations. So from the little that I have seen, yes, there is the opportunity to be—you know, to act quickly and to take corrective action as needed. To give an in-depth on it would be premature for me to say.

But safety and soundness is bottom line. It is why we are there, and I think the things that are in place are adequate as far as I can see at this point.

Chairman SARBANES. Ms. Matz.

Ms. MATZ. I would agree. At our board meeting just yesterday, the board voted unanimously to receive quarterly call reports instead of semiannual call reports, so that the data can be monitored more closely. And the prompt corrective actions, as far as I can see, are working well.

Chairman SARBANES. I just want to underscore, that was a package at the time, and the safety and soundness provisions that were included in the legislation did not come out of thin air. They were the result of a very careful study by the Treasury Department. So we are anxious that part of the legislation also receive attention.

I want to ask you a more far-reaching question. Let me set the premise a little bit. Credit unions benefit from significant tax and regulatory benefits that are not available to banks and thrifts, when you look at the range of financial institutions. They are tax-exempt. They have a separate, independent Federal regulator and a separate deposit insurance fund. And, of course, we hear about this from others from time to time.

The basis for doing this, at least in the perception of many, is that because they have a particular mission with an important public benefit in terms of meeting the consumer credit needs of people that otherwise might not have access, that they are entitled to this special status.

Now on the part of some of the credit unions, they have recently been seeking significantly expanded powers, reductions in regulatory limitations—for instance, unlimited authority to offer their members business loans, either elimination or significant weakening of the common bond requirement, which is what we passed after the Supreme Court really raised a very difficult barrier. NCUA has been very liberal in allowing the community credit charter to be used over an expansive geographical area. For example, it has allowed a community-chartered credit union to define the entire city of San Francisco as its community.

Do you feel there is any perception in the industry—and I would ask you all whether you perceive—that there is a tension between these two things? The more credit unions push to become like other financial institutions—in other words, move out of the mold that

has been set for them—then the more difficult it is to justify special status in terms of taxing and regulating.

After all, if they are going to end up being like and behaving like any other financial institution, a bank or a thrift, then why shouldn't they be subjected to the same framework of treatment as a bank or thrift? Do you have any views on that issue, either yourself or any view on whether the industry understands or perceives a growing tension in this regard?

Ms. JOHNSON. Senator, I dealt with the same tension on the State level, especially while chairing the Ways and Means Committee. The tax issue was there all the time. I used to call it kind of the turf battle between the financial institutions. And in my capacity as chair, I did do things for the banks. We did Subchapter S legislation under my tenure, and I dealt with tax issues for the banks. At the same time, I have always felt that the credit unions deserve their tax-free status because of the way that they are structured. They are a nonprofit cooperative, and under that structure, I still believe that the tax-free status is still applicable.

You are right that there will always be that continued tension as each tried to fight out that turf. But credit unions do still have a restricted field of membership, and to that end they do have restrictions on them that other financial institutions do not have.

Chairman SARBANES. Ms. Matz.

Ms. MATZ. Well, you are raising several issues that confronted the board at our first meeting on February 7, just after I had arrived at the board on January 23; particularly the issue of what constitutes local, and how big should credit unions be.

At that meeting, I abstained on a vote of converting a credit union to a community charter because I just was not sure of what the Congressional intent was on the word local. I had asked our attorneys what the legislative history was, and was advised that there is no legislative history on the word, local. So perhaps this Committee can give us some guidance on that.

But you are raising an issue that we are trying to deal with, trying to decide what is local and what are common bonds, and I will work with this Committee to try to come to some determination on those issues.

Chairman SARBANES. Let me just throw into the mix. It is my own view that the more the credit unions seek to be like other financial institutions in the range of their powers and in their membership, that they begin to undercut or weaken the argument that exists to give them differential tax and regulatory treatment. I mean, otherwise you are creating a situation in which particular institutions have these tax and regulatory benefits and yet on the operating side—they eventually would be behaving just like any other financial institutions. And, of course, those institutions say, why should we be placed in this competitive situation? Either give us the tax and regulatory benefits, or treat them in that area the same way that we are treated.

I am in favor of the bargain that was struck, which is to carry through on what I think is the basic purpose of the credit union movement, and I think is the underlying rationale for this tax and regulatory treatment. But it can create a tension, and I am just interested whether you perceive that the industry is aware of that.

Do you have any sense whether they perceive that there is a tension there?

Ms. JOHNSON. Senator, one of the things that we are really focused on is, we have dealt with some of these community charters, really delving into the business plan that they must present on how they are going to serve this community. And for those that want to add an underserved area in particular, paying attention to how do they actually intend to serve this underserved area. That is a requirement, and that is under our purview, and I assure you that that will be given the strictest attention.

Senator GRAMM. Mr. Chairman, one other provision was included in the bill responding to the Supreme Court decision. And that was, for the first time in a formal way, we set a cap on the amount of business lending that credit unions could do. I identify very much with what the Chairman is saying. I tried to make it clear to all my credit union people that ultimately you have to decide. If you want to do a bunch of commercial lending, you do not want to be in the credit union business.

I know there has been a bill in the House that would raise the limit of commercial lending, I think it is 12½ percent under our bill. I am very much opposed to that bill in the House. My view is credit union commercial lending should be very narrow, and it should be focused very strictly and very tightly defined on their members. I think if credit unions are going to get into very substantial commercial lending, they are running right out from under their charter. And I do believe that the board needs to take a good, hard, dispassionate look at this field of membership issue. Because again, I think it is very important that everybody have an opportunity to join a credit union, and the field never should be so narrow that that is not the case.

But it is the natural tendency of institutions to want to grow and prosper. I think it is very important that this lending cap on commercial lending be very narrowly defined, that we do not let institutions get around it. And it is very important to keep an eye on this scope of membership issue. Because I agree with the Chairman that in the end, if you are going to get the benefits of being in the credit union business, you have to be a credit union.

You could almost say a partnership is nonprofit, in the sense that the benefits go to the partners. So, I do not think that in and of itself is enough to justify the tax exemption. It has to be carrying out the original mission of the law, and that original mission was to primarily provide consumer lending on a cooperative basis where people pool their resources and in the process got access to credit.

I do think there is a real market out there for credit unions in that particular area. But there is this very real temptation to get off into other areas, and again there is a limit—I do not know how you would define it, but I think I would know it when I see it—where you get out of the credit union business and into commercial lending on the equivalent of a bank or a thrift.

Probably, given you all have been on the job a short period of time, these are the two most profound issues related to credit unions. We probably are not fair putting you on the spot about it. But these are very real issues, and they are things we were concerned about when we wrote that law.



Chairman SARBANES. My own perception is that this issue tends to be driven by a few large credit unions with a very highly active management, and they are driving this thing. I think most of the credit unions are staying within the original charter purposes. But it is an important issue, and as Senator Gramm says, we really do not expect you to give us a long disquisition on it now.

I do want to note that the U.S. credit union movement has been involved in trying to help develop credit unions abroad in countries that are not well-served in terms of their financial institutions. That is a very constructive initiative, and it obviously has to be done carefully. But they are in a position maybe to make a real contribution in that regard. We had a hearing here on remittances for Mexico and Latin America, and one of the ways of trying to address this was to see if we could not strengthen the credit union movement in those countries.

I have one final question, and it really tracks again something that Senator Gramm said at the outset. I am interested in your view of the mission of the NCUA. Should it be an independent regulator of the credit union industry, a promoter of the credit union industry, a combination of both? Do you have any view on that?

Ms. JOHNSON. The NCUA is the regulator, first and foremost. Do I believe in credit unions? Absolutely, but I am not their cheerleader. I am there to regulate, and I know that decisions that I make are not always going to be what they want to hear. But my decisions will have to be what I believe is best for the industry.

I am interested in moving the industry forward and to meet the changing needs of their members, because we do have changing needs in this day and age. We saw how September 11 changed things so drastically in a short period of time for a lot of industries, including the financial industry. So we have to be up to speed and I think we have to be able to deal with things on a very quick turnaround. But I am there to regulate, and that will be my mission.

Chairman SARBANES. Ms. Matz.

Ms. MATZ. I would agree with that. Safety and security of the credit unions is clearly our first priority. To the extent we can help credit unions achieve safety and soundness, that is our mission.

Chairman SARBANES. Thank you.

Senator Gramm and I have been on this Committee long enough that we had to clean up the savings and loan situation, which cost the taxpayers hundreds of billions of dollars. That was just a breakdown altogether. You cannot go through that experience without being mindful of the safety and soundness considerations.

Thank you both very much. We have some hearings scheduled for next week, which will be the last week before the recess. I am hopeful we can arrange to put these nominees on one of those hearing dates, and schedule a short business meeting to move these nominations forward. We are anxious to get you fully in place.

Thank you very much. The hearing is adjourned.

[Whereupon, at 4:10 p.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of the nominees, and additional material supplied for the record follow:]

**PREPARED STATEMENT OF SENATOR TIM JOHNSON**

Mr. Chairman, thank you for moving forward so quickly with the confirmation of Deborah Matz and JoAnn Johnson to the NCUA Board. It is critical that we move as quickly as possible to get these oversight positions filled, and strong supervision of our Nation's financial institutions is of particular importance.

It is a special pleasure for me to be here today to welcome nominee Matz before the Committee. I have known Debbie and her husband Marshall for many years, and I am confident that Debbie will make a superb NCUA board Member. In fact, Mr. Chairman, I know that you know her abilities and reputation firsthand because of her service as a member of the Joint Economic Committee during your tenure as Chairman. In continuing her long and distinguished public service career, Debbie served as Deputy Assistant Secretary of Agriculture for Administration, filling a very important role of overseeing the administration of the Department of Agriculture's day-to-day operations.

I would like to take just a moment to thank the nominees for their willingness to serve on the NCUA Board. I am confident both of you could earn much higher salaries in the private sector, and we are grateful to you for your commitment to public service.

Mr. Chairman, credit unions and the financial services industry have changed dramatically since the founding of the NCUA in 1970. Today, over 10,000 credit unions with over \$480 billion in assets serve more than 79 million people in the United States with a broad array of services—from basic savings accounts, to credit cards, to home mortgages. Yet at the same time, the basic mission of credit unions remains the same: to serve their members. Credit unions enjoy a tremendously loyal customer base, and most credit unions work hard to create an environment where members feel comfortable doing business.

Unfortunately, I have several commitments this afternoon that will prevent me from staying to the end of this hearing. But there is one issue that I would ask the nominees to address either during the question and answer period or in a written submission to the Committee.

Many State-chartered credit unions have expressed concern over the process by which the NCUA establishes its overhead transfer rate. As I understand it, the overhead transfer rate is the amount of money taken out of the "Share Fund" to pay for the NCUA's insurance-related activities. Historically, NCUA has estimated the transfer rate at 50 percent. Recently, however, it raised the rate to 67 percent, and then lowered it to 62 percent.

The NCUA's overall budget is funded partially by exam fees from Federally chartered credit unions and partially by the Share Fund. When the transfer rate is increased, two things happen: (1) the Share Fund provides a larger proportion of the NCUA budget; and (2) exam fees for Federally chartered institutions go down because exam fees end up representing a smaller proportion of the NCUA budget. State chartered credit unions have expressed concern about the increase to 62 percent on both substantive and procedural grounds. I would like to hear your thoughts on the current overhead transfer rate. In addition, do you believe changes should be made to the way the NCUA Board develops the transfer rate? Should there be more transparency in the process?

Once again, Mr. Chairman, thank you for holding this hearing, and thanks to our two witnesses for their willingness to appear before us today.

**PREPARED STATEMENT OF CHARLES E. GRASSLEY**

A U.S. SENATOR FROM THE STATE OF IOWA

MARCH 14, 2002

I am glad to have the pleasure to introduce JoAnn Johnson today as one of three Bush Administration nominees for the National Credit Union Board. JoAnn Johnson and I have a lot in common. We are both alumni of the University of Northern Iowa and alumni of the Iowa State Legislature. We were both raised on farms, and grew up with an appreciation for the unique way of life in Iowa.

JoAnn Johnson has been serving the State of Iowa since she became a dedicated teacher and coach for Adair-Casey High School in Adair, Iowa. Not only was she teaching physical education classes, but she also was teaching Sunday school and helping youth in the 4-H club.

Since 1994, JoAnn Johnson has consistently displayed her leadership talents in the Iowa State Legislature. She was named Chair of the State Senate Commerce Committee for the 29th General Assembly. As Chair of the Iowa Senate Ways and

Means Committee, Senator Johnson helped reduce the tax burden for Iowans by over \$700 million. She restructured the utility property tax system, and cochaired a 2 year interim committee on State tax structures. In 1999, JoAnn Johnson was named Senator of the Year by the Associated General Contractors of Iowa.

Not only is she a leader, but JoAnn Johnson is a listener. She makes sound judgment after hearing both sides of the issue. She is dedicated to the “people-helping-people” philosophy. As credit unions exist solely for the purpose of serving their members, I am confident that JoAnn Johnson will act in the best interest of all credit unions and the communities they serve. She is a voice that is right for the National Credit Union Board.

Thank you.

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### **PREPARED STATEMENT OF JOANN JOHNSON**

MEMBER-DESIGNATE, NATIONAL CREDIT UNION ADMINISTRATION

MARCH 14, 2002

Mr. Chairman, Senator Gramm, and distinguished Members of the Committee, thank you very much for the opportunity to appear before you today as a nominee for the Board of the National Credit Union Administration. I am deeply honored to have been nominated by President Bush to serve our country in this way, and I am grateful for the attentive consideration this Committee has given me since the President forwarded my name to you for your consideration.

I want to thank Senator Grassley for all he has done on my behalf, introducing me to the Committee and advising me throughout this nomination process. I also want to thank NCUA Chairman Dennis Dollar for all his assistance and my new colleague, Deborah Matz for her camaraderie as we travel a common course together. I also want to acknowledge the constant support of my husband, Brian.

In accepting the President’s recess appointment on January 22, I traded in my legislator duties as an Iowa State Senator for regulator responsibilities—and having been a legislator, I appreciate and respect the distinction between the two. I learned the skills of a legislator and the need to hear all sides of an issue and chart a course to an equitable solution. I will be continuing that policy at NCUA, if confirmed, and consultations with Congress will also be an important part of the deliberative process I shall engage in as a NCUA Board Member.

I do not bring an agenda with me to this position, but I do have some standards that will guide my actions as a regulator:

- I want to be sure NCUA’s core duties are done extremely well; maintaining a robust share insurance fund and an effective supervision program—critical elements to the independent credit union movement in my opinion.
- I want to emphasize the wise use of resources at NCUA.
- I want to be responsive to credit unions to develop prudent decisions that meet the needs of a dynamic and growing industry.

In my few weeks on the NCUA Board, I have spent much of my time meeting with NCUA office directors, studying NCUA programs, and meeting with other interested parties to gain a fair assessment of the larger credit union picture. The consultations I have had with you, Mr. Chairman, and other Members of the Committee in preparation for this hearing have been valuable to me as I assess the challenges ahead.

My Iowa background encompasses a background in family agriculture, education, and community service. I also served nearly 8 years in the Iowa Senate. I was privileged to chair two committees, the Ways and Means Committee and the Commerce Committee. My duties called on me to address and negotiate diverse issues concerning tax and budgeting, commerce, financial institutions, and economic development. Consequently I believe I bring the necessary skills with me to judge fairly the important policy issues that will come before me at NCUA.

I know this Committee is looking for the Board to exercise good judgment. That means maintaining a safe and sound credit union financial system, which is exactly what we have inherited and what I am committed to maintain and bequeath to my successors.

With so many people continuing to join credit unions around the country, more Americans, whether they know it or not, depend on the regulatory decisions and systems that assure quality and integrity nationally. Well-run credit unions that efficiently provide consumer financial services in today’s diverse marketplace are an essential and vital part of the financial community in the United States providing

members credit for provident and productive purposes—just as they have done since they began to fill those needs at the beginning of the last century.

Mr. Chairman, thank you for the opportunity to appear before the Senate Committee on Banking, Housing, and Urban Affairs today. I am honored to be here and I pledge to work closely with you and Members of this Committee and the Congress during my term to ensure the continued health and sound policies for the Nation's credit union system.

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Johnson JoAnn   
(Last) (First) (Other)  
 Position to which nominated: National Credit Union Administration Board Date of nomination: November 27, 2000  
 Date of birth: 24 02 1949 Place of birth: Massena, Iowa  
(Day) (Month) (Year)  
 Marital Status: Married Full name of spouse: Brian Edward Johnson

Name and ages of children: Clint Douglas, 28  
Brooke Douglas, 24

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	<u>University of Northern Iowa</u>	<u>1967-1971</u>	<u>BA</u>	<u>June 1971</u>
	<u>Adair-Casey High School</u>	<u>1963-1967</u>	<u>HS Diploma</u>	<u>May 1967</u>

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Toll Fellowship, Council of State Governments, 1995

Legislator of the Year, Associated General Contractors of Iowa, 1999

NFIB Guardian of Small Business

**Memberships:**

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Rotary International		2000-present
Women in Government	State Director	1996-present
Gamma Phi Beta Sorority	Pledge Director	1969-present
Iowa Farm Bureau		1984-present
Lutheran Church		1999-present
University of Northern IA. Alumni Board		1992-1996
4-H Leader		1985-1996

(continued on next page)

**Employment record:**

List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Iowa State Senator, District 39, 1995-present.

Family farm, Adair, IA, 1971-1995

Lightfoot Congressional Campaign, Shenandoah, IA, 1984-1990

Adair-Casey School, K-12 teacher and coach, 1971-1973

## Memberships, continued:

Adair Women's Club	President	1985-1996
Adair Food Pantry	Director	1988-1997
County Pork Producers		1998-present
Iowa Cattlemen's Assoc.		1998-2000
Adair Library Board	President	1989-1994
West Central I-80 Development		1995-1998
Presbyterian Church		1971-1998

**Government  
experience:**

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Iowa State Senator 1995-present  
Adair-Casey School Board 1993-1995  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Published  
Writings:**

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

As a State Senator, I have written a column for my weekly  
newspapers in the district giving a legislative update during  
the session.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Political  
Affiliations  
and activities:**

List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Campaign manager, People for Dinkla, candidate for state representative,  
1992  
Member of Adair County Republican Central Committee, 1986-1994  
 \_\_\_\_\_  
 \_\_\_\_\_



Political  
Contributions: Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

Bush for President, \$500.00 03/23/00  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Qualifications: State fully your qualifications to serve in the position to which you have been named.  
(attach sheet)

Attached

Future employment  
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I will resign my position as State Senator upon confirmation

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

none

3. Has anybody made you a commitment to a job after you leave government?

no

4. Do you expect to serve the full term for which you have been appointed?

yes

My qualifications regarding nomination as a member of the National Credit Union Administration Board:

Over the last seven years in the Iowa Legislature, I have been involved in a number of issues that will be beneficial to my service on the NCUA Board. As Chair of the Senate Ways and Means Committee for four years and Chair of the Senate Commerce Committee for this past year, I have gained an understanding of financial institution public policy and the regulatory function of implementing that policy. Having worked on issues relating to credit union and bank powers, trust services, taxes, and appropriations to regulatory agencies has helped me understand the balance and responsibilities of lawmakers and that of their regulatory counterparts. Specifically, I believe it is the regulator's job to ensure that credit unions are complying with the requirements placed on them in a safe and sound manner and it is the credit union's job to manage and operate the institution.

As a committed, hard-working individual, I will be open-minded and conduct due diligence prior to decision making. Please be assured I will represent the NCUA Board in a manner above reproach.

JoAnn Johnson

Potential conflicts  
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

none

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2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

none

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3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

none

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4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

none

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

NA

Civil, criminal and  
investigatory  
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

NA

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NA

**PREPARED STATEMENT OF DEBORAH MATZ**

MEMBER-DESIGNATE, NATIONAL CREDIT UNION ADMINISTRATION

MARCH 14, 2002

Chairman Sarbanes, Senator Gramm, Members of the Committee, I appear before you today as a Board member and nominee to the Board of the National Credit Union Administration. With me today is my husband, Marshall Matz, and our son Peter, a sophomore at Langley High School. Our daughter Hayley, a junior at Tulane University, is listening to us online.

Mr. Chairman, first and foremost, I would like to thank you and the Committee for conducting this hearing so quickly after my nomination, especially given your full agenda. I appreciate the counsel and support that I have received from your staff, Steve Harris, Marty Gruenberg, and Judith Keenan, in particular.

I am especially grateful to the distinguished Senate Majority Leader, Senator Tom Daschle, for recommending me, and to President Bush for nominating me, to this position. Senator Daschle's support and confidence is deeply appreciated.

I would like to thank NCUA Chairman Dennis Dollar and my fellow Board member and nominee, JoAnn Johnson, for their warm welcome and the spirit of professional collegiality that already exists on the Board. And last, but not least, I want to thank the talented staff at NCUA who have provided thorough briefings and insight on the many functions of this independent agency.

Mr. Chairman, if confirmed, I will bring to the NCUA Board over 20 years of public sector experience. For 9 years, I served as an Economist with the Joint Economic Committee of Congress, followed by 7 years as a Presidential appointee at the U.S. Department of Agriculture (USDA). While at USDA I chaired the Loan Resolution Task Force, created to resolve delinquent farm loans in excess of \$1 million. When I was appointed to the Task Force, the portfolio was over \$1 billion in principal; when the Task Force ended, we had resolved virtually all of the loans that were not encumbered by litigation or bankruptcy proceedings.

What type of Board member and regulator do I hope to be? I will have several guiding principals:

- I will work hard to ensure that credit unions remain safe and sound financial institutions.
- As a member of three credit unions, I will be dedicated to the goals and purposes of the original enabling legislation. I strongly identify with the ideal of helping working people and others who are not being served by traditional financial institutions.
- I will strive to be recognized as a fair and thoughtful regulator—one who realizes the value and necessity of regulation while being sensitive to the needs of those who are being regulated.
- If confirmed, I will work closely with all Members of this Committee, and all Members of Congress, to ensure the financial integrity of credit unions in a changing environment.

In closing, I consider credit unions to be the "jewel" in the crown of the financial service sector. I will work diligently to protect this precious jewel; to end predatory loan practices; and to extend the benefits of credit unions to all eligible Americans, particularly the underserved.

Mr. Chairman, thank you again for the opportunity to appear before you today. I would be pleased to answer any questions that the Committee may have.

<b>STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES</b>
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**Name:**                 **Matz**                                 **Deborah**  
                               (Last)   (First)   (Other)

**Position to which nominated:**       **National Credit Union Administration Board**

**Date of nomination:**

**Date of birth:**         **25**       **08**       **50**                                 **Place of birth:** **New York City**  
                               (Day)    (Month)   (Year)

**Marital Status:** **Married**

**Full name of spouse:** **Marshall L. Matz**

**Name and ages of children:**

**Hayley Matz**   **20 years old**

**Peter Matz**    **16 years old**

<b>Education:</b>	<b>Institution</b>	<b>Dates attended</b>	<b>Degrees received</b>	<b>Dates of degrees</b>
	George Washington University	1974-1976	MA	1976
	Cornell University	1967-1971	BS	1971

**Honors and awards:**   List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.  
                               Vice President Gore's Golden Hammer Award, Co-recipient with U.S. Department of Agriculture (USDA) Deputies Capital Planning Working Group 12/00  
                               Secretary's Honor Award for Superior Service in Preventing Workplace Violence at USDA 6/00  
                               Secretary's Honor Award for Superior Service in Developing a Continuity of Operations Plan for USDA 6/00  
                               PTA Human Relations Award 1992  
                               Dean's List 1970

**Memberships:** List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Temple Rodef Shalom		1991-present
Cornell Club of DC		1980-present
American Society of Association Executives		2001-present
Society for Human Resource Management		1998-2001
PTA	Chair, Ways and Means Comm.	
	Chair, Appropriations Committee	1991-present
	(do not currently hold office)	
Smithsonian Institution		1993-present

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

EXECUTIVE OFFICER: September 2001- Present

Liaison Office Washington (LOWA)

Food and Agriculture Organization (FAO) of the United Nations (Washington, D.C.)

EXECUTIVE ASSISTANT TO BOARD MEMBER: January – April 2001

Office of the Board

Farm Credit Administration (McLean, VA)

SENIOR EXECUTIVE SERVICE MEMBER: PRESIDENTIAL APPOINTEE

1993 – January 2001

U.S. Department of Agriculture (Washington, DC)

DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION;

CHAIR, LOAN RESOLUTION TASK FORCE;

CHIEF OF STAFF TO THE ADMINISTRATORS OF THE FARM SERVICES AGENCY

and FARMERS HOME ADMINISTRATION AND TO THE DEPUTY UNDER SECRETARY

FOR RURAL ECONOMIC AND COMMUNITY DEVELOPMENT

ECONOMIST: 1987-1989 AND 1977-1984

U.S. Congress Joint Economic Committee (Washington, DC)

FREE-LANCE CONSULTANT: 1984-1986

(Washington DC Metropolitan Area)

PROJECT LEADER: 1976-1977

U.S. Congress Office of Technology Assessment

LEGISLATIVE ASSISTANT: 1973-1976

Office of Congressman Peter A. Peyser

COMMUNITY DEVELOPMENT REPRESENTATIVE: 1971-1973

U.S. Department of Housing and Urban Development

New York Area Office

**Government  
experience:**

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

EXECUTIVE ASSISTANT TO BOARD MEMBER: January – April 2001  
Office of the Board  
Farm Credit Administration (McLean, VA)

SENIOR EXECUTIVE SERVICE MEMBER: PRESIDENTIAL APPOINTEE 1993 – January 2001  
U.S. Department of Agriculture (Washington, DC)  
DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION;  
CHAIR OF THE LOAN RESOLUTION TASK FORCE;  
CHIEF OF STAFF TO THE ADMINISTRATORS OF THE FARM SERVICES AGENCY and  
FARMERS HOME ADMINISTRATION AND TO THE DEPUTY UNDER SECRETARY  
FOR RURAL ECONOMIC AND COMMUNITY DEVELOPMENT

ECONOMIST: 1987-1989 AND 1977-1984  
U.S. Congress Joint Economic Committee (Washington, DC)

PROJECT LEADER: 1976-1977  
U.S. Congress Office of Technology Assessment

LEGISLATIVE ASSISTANT: 1973-1976  
Office of Congressman Peter A. Peyer

COMMUNITY DEVELOPMENT REPRESENTATIVE: 1971-1973  
U.S. Department of Housing and Urban Development  
New York Area Office

**Published  
Writings:**

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

**Books**

Industrial Incentives: Public Promotion of Private Enterprises. (With William Hamilton and Larry Ledebur) (Washington, DC: Asian Press, 1984).

**Monographs and Articles**

Medical Alert. (Washington, DC: U.S. Congress, Joint Economic Committee, October 2, 1989)

The Education Deficit. (Washington, DC: US Congress, Joint Economic Committee, December 14, 1988).

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Emergency Interim Survey: Fiscal Condition of 46 Large Cities. (Washington, DC: U.S. Congress, Joint Economic Committee, 1982).

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Central City Business: Plans and Problems. (Washington, DC: U.S. Congress, Joint Economic Committee, 1979).

The Current Fiscal Condition of Cities: A Survey of 67 of the 75 Largest Cities. (Washington, DC: U.S. Congress, Joint Economic Committee, 1977).

**Political**

**Affiliations**

**and activities:**

List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None

**Political**

**Contributions:**

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

See attachments for contributions made by me and by my husband from our joint account.

**Qualifications:**

State fully your qualifications to serve in the position to which you have been named. (attach sheet)

**Future employment**

**relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Since receiving a recess appointment, I have severed all connections with the Food and

Agriculture Organization of the United Nations, my employer at the time the recess appointment was made.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I have no such plans.

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

**Potential conflicts  
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I have accounts with three credit unions:  
Agriculture Federal Credit Union  
U.S. Senate Credit Union  
Wright Patman Federal Credit Union

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

I will recuse myself from any deliberations involving credit unions in number 2 above.

**Civil, criminal and  
investigatory  
actions:**

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

1998: USDA OIG investigation of allegations made by a disgruntled employee.  
OIG found no merit to any of the allegations.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

Deborah Matz  
Qualifications:

I have over 22 years of increasingly responsible public service experience. Currently, I am the Executive Officer of the Liaison Office for North America of the Food and Agriculture Organization (FAO) of the United Nations (UN). FAO is the largest autonomous agency in the UN; its mission is to alleviate poverty and hunger by promoting agricultural development, improved nutrition and the pursuit of food security. Since September 2001, I have supervised the administrative functions of the office with the most significant being budget formulation and implementation, overseeing and negotiating contracts, and administration of the tax equalization fund which involves reimbursements to individuals of over \$1 million per year.

Until January 2001, I served in the Clinton Administration as Deputy Assistant Secretary for Administration at the U.S. Department of Agriculture (USDA). In addition to formulating and implementing a \$200 million annual budget, I supervised five senior executives with a staff of 650. The Departmental Administration staff, with my guidance, developed and implemented the administrative policies, procedures and regulations which run USDA, an organization with 100,000 employees in offices throughout the world. This position required the ability to oversee the development of regulations on a wide range of issues in addition to monitoring them for effectiveness. I am cognizant of the need for government regulations but also sensitive to the need for them to be prudently issued and easy to understood and execute.

As Chair of the Loan Resolution Task Force (LRTF) from 1995-1996, I was charged by the Secretary with resolving delinquent farm loans, each in excess of \$1 million. The total outstanding debt in the portfolio exceeded \$1 billion in principal. The LRTF resolved 515 accounts yielding the Federal Government \$131 million on the \$566 million in outstanding principal on these accounts. The yield of 23 cents for each dollar outstanding exceeded estimates indicating recovery would be about 10 cents on the dollar. Resolving the debt whether by foreclosure, negotiated settlement or write-off, required knowing and following the detailed 51-S farm loan serving regulation. I am, therefore, extremely familiar with credit issues from various perspectives, particularly the difficulty of resolving bad debts. I am acutely aware of the severe consequences economic downturns have on individual borrowers and ultimately on financial institutions.

I also served as Chief of Staff to the Administrator of the former Farmers Home Administration (FmHA). This was the USDA agency which made both farm and housing loans to rural Americans and promulgated the regulations which implemented the various credit programs. I supervised the staff who drafted the regulations as well as those who ran the programs, the aggregate budgets of which totaled \$7 billion.

On the staff of the Joint Economic Committee (JEC) of the U. S. Congress from 1977-1988 and 1987-1989, I advised Members of the Committee on a wide range of issues affecting state and local government finance. These issues included economic development, housing and infrastructure finance and the fiscal condition of states and

cities. As the senior staff person responsible for these issues, I helped to determine the agenda, organized the hearings, and drafted numerous reports. The surveys I conducted on the fiscal condition of state and local governments were nationally recognized and widely utilized by practitioners in and out of government. I also did freelance consulting work on these issues for the Municipal Finance Officers Association, the National Association of State Development Agencies, and Aslan, a consulting firm that provided economic analyses to local governments.

I would bring to this position a sound understanding of both the executive and legislative branches of government, a respect for the importance of government oversight of financial institutions and a deep commitment to the mission of credit unions – providing financial service to the many disenfranchised, low-income people across America who may not be able to receive affordable credit from other financial institutions.



NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS  
P.O. Box 3769 • WASHINGTON, DC • 20007-0269  
(703) 522-4770 • (800) 336-4644 • FAX (703) 524-1082

March 6, 2002

The Honorable Paul Sarbanes  
Chairman  
Committee on Banking, Housing and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Chairman Sarbanes,

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association that exclusively represents the interests of our nation's federal credit unions, I am writing to express our support for the nominations of JoAnn Johnson and Deborah Matz to be members of the National Credit Union Administration (NCUA) Board and urge your swift confirmation of them.

NAFCU has had the opportunity to meet both Ms. Johnson and Ms. Matz and discuss a number of issues of concern to the credit union community. We believe both will make excellent members of the NCUA Board and bring good judgment to their roles while protecting the safety and soundness of credit unions. NAFCU urges the Banking Committee to act favorably on the nominations of JoAnn Johnson and Deborah Matz to serve as members of the NCUA Board, and urge swift action by the full Senate's in order that NCUA may have a full complement of confirmed members once again.

I thank you for allowing us this opportunity to share our comments and support for the nominations of Ms. Johnson and Ms. Matz. If you or your staff has any questions regarding this matter, please don't hesitate to call NAFCU's Senior Vice President, Bill Donovan, or me at 703-522-4770. We look forward to working with you and the other members of the Committee on matters of mutual concern.

Sincerely,

Fred R. Becker, Jr.  
President and CEO

*Mr. Chairman -*

*Thanks so*

*much for your*

*support!*





**NOMINATION OF:  
ANTHONY S. LOWE, OF WASHINGTON  
TO BE ADMINSTRATOR  
FEDERAL INSURANCE AND MITIGATION  
ADMINISTRATION OF THE FEDERAL  
EMERGENCY MANAGEMENT AGENCY**

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**WEDNESDAY, MAY 8, 2002**

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Committee met at 10:20 a.m. in room SD-538 of the Dirksen Senate Office Building, Senator Paul S. Sarbanes (Chairman of the Committee), presiding.

**OPENING COMMENTS OF CHAIRMAN PAUL S. SARBANES**

Chairman SARBANES. The hearirng will come to order. I apologize, Mike, and also to the nominee, but I ran into a bad backup on the Baltimore-Washington Parkway on my way in.

Before I do my opening statement, I will go directly to Senator DeWine, who is here to introduce Anthony Lowe. I know he has other conflicting engagements and we can take care of that and you can go on about your business.

**STATEMENT OF MIKE DEWINE  
A U.S. SENATOR FROM THE STATE OF OHIO**

Senator DEWINE. Mr. Chairman, thank you very much. As someone who lives in Annandale, Virginia, when I am out here, I understand about the traffic backups and what can happen.

It is my pleasure today to introduce Anthony Lowe, to be the Administrator of the Federal Insurance and Mitigation Administration at FEMA. Let me first welcome his wife, Angela, his daughters, Ashton and Ariana, his mother, Betty Harris, his brother, Rev. Paul Lowe, his mother-in-law, Barbara Barry, her husband, Mohamado, and father-in-law, Thomas Caldwell, who are all seated here behind me.

Chairman SARBANES. Well, we are very pleased to have the family here. Why don't you all stand up so that we can acknowledge you.

Very good. Thank you all for coming.

Senator DEWINE. Mr. Chairman, let me just take a moment to tell the Committee about Anthony's background and qualifications. In 1982, Anthony graduated from the University of Washington

with a degree in international political science. He went on to receive his law degree from the University of Santa Clara in California. He has studied law in Singapore and also in China.

Prior to working directly for me and on the Judiciary Committee, Anthony was a Land Planning Commissioner for the City of Redmond, Washington, from 1994 to 1996. In this position, Anthony had an opportunity to really apply many of the land use planning guidelines that are now administered by the Federal Insurance and Mitigation Administration.

He served a number of years, Mr. Chairman, as my Senior Legislative Counsel on the Antitrust, Competition, and Business and Consumer Rights Subcommittee of the Judiciary Committee.

Let me just ask the Committee to submit the rest of my statement, make it a part of the record. I just want to comment, if I could, Mr. Chairman, and share with you my experiences with Anthony.

Chairman SARBANES. The full statement will be included in the record.

Senator DEWINE. I appreciate that very much. This is an individual who I have worked with on a daily basis closely for, as I said, a number of years. He is someone who every single day gets the job done. Candidly, many times I never knew how he got the job done. But he has great people skills, Mr. Chairman, and you can appreciate that with the people who help you get your mission done and achieve what you want to achieve every day.

Anthony was someone who I would talk to about issues in broad concept, and he would go out, put the legislation together, and see that it got passed. That is the type of leadership ability he has. And, as you know, to survive around here, not only do you have to have good ideas and good analytical ability, and serving on the Judiciary Committee, you have to be a good lawyer. But, you also have to get along with people, and you have to know how to deal with people. And, you have to have some management skills. Anthony has these things. And so, I know that for this position and, candidly, for any position that Anthony would be nominated for, he will do just a fantastic job.

I want to submit my written statement, which goes into a lot more detail, to the Committee and thank you for your courtesy and for considering Anthony for this very important position.

Chairman SARBANES. Well, thank you very much, Senator DeWine, for a very strong statement. I have always been impressed by the effectiveness and skill of Senator DeWine in dealing with some complex issues. And I am pleased this morning that we are uncovering the basis on which he was able to do that.

[Laughter.]

Senator DEWINE. That is true, Mr. Chairman.

[Laughter.]

My concern, if I could interject, is where I go from here.

[Laughter.]

But we will see. Maybe my true ability will be uncovered now. So, I thank you.

Chairman SARBANES. Thank you very much.

This morning, the Committee is considering the nomination of Anthony S. Lowe, to be the Administrator of the Federal Insurance

and Mitigation Administration, called FIMA, at the Federal Emergency Management Agency, called FEMA. So we have FIMA inside of FEMA here, and I want to welcome Mr. Lowe and his family here today.

Anthony Lowe is no stranger to public service. From 1997 until this nomination, he was Senior Legislative Counsel with the U.S. Senate Judiciary Committee's Subcommittee on Antitrust, Competition, and Business and Consumer Rights, as we have just heard from Senator DeWine. Before joining the Subcommittee, he served the citizens of his home State of Washington in a number of positions—Deputy Prosecutor for King County, member of the planning commission for the City of Redmond, Legal Counsel for the Washington State Senate, and a previous tenure here as Legislative Assistant to our former colleague, Senator Slade Gorton.

Anthony Lowe is a graduate of the University of Washington, cum laude, Santa Clara University School of Law, and only recently, he went on to get a degree from the Virginia Union University School of Theology. So, if all else is of no avail, he is in a position maybe to bring some divine grace upon us in solving some of these problems.

[Laughter.]

As Administrator of the Federal Insurance and Mitigation Administration, Mr. Lowe will have the opportunity to continue his public service by helping communities prepare to meet some of their most difficult challenges.

Only last week, we saw in Maryland, when the tornado touched down, how extensive the devastation from a natural disaster can be to a community, taking people's lives and destroying their homes and their businesses.

The Insurance and Mitigation Administration works with communities around the country to help reduce damages from disasters like tornados, hurricanes, floods, and fires. Its assistance has led to increased use of wind-resistant and water-resistant building designs, elevation of buildings above flood levels, adoption of stricter building codes and more disaster-sensitive land-use planning.

FIMA also runs the National Flood Insurance Program. There was a reorganization, in which they put together the Federal Flood Insurance Program and the Mitigation Administration. So both of those now would be under Mr. Lowe's jurisdiction.

The National Flood Insurance Program was created in 1968 in response to the lack of such insurance being offered by the private sector. This program made flood insurance available in the communities that adopted flood plain management regulations designed to reduce future damages from flooding, and it is now available in over 19,000 participating communities nationwide. The availability of flood insurance helps Americans prepare for floods, while reducing the need for Federal disaster assistance after the flood. And the improved flood plain management techniques adopted by communities participating in the program have led to a significant reduction in both the number of losses and the cost of losses due to floods.

As FIMA's Administrator, Mr. Lowe will work closely with communities across the country as they prepare for and respond to disasters. We look forward in this Committee to working with him in

this very important responsibility. I know that FEMA Administrator Allbaugh is anxious to have you on the job. He and I in fact have conversed about it, and so we have tried to move this hearing up and do it promptly in an effort to try to get you on the job.

Now, before we take your opening statement, I want to ask you to stand and take the oath. It is a practice of this Committee to place our nominees under oath.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LOWE. I do.

Chairman SARBANES. Do you agree to appear and testify before any duly constituted committee of the U.S. Senate?

Mr. LOWE. I do.

Chairman SARBANES. Thank you very much. We would be happy to hear your statement.

**STATEMENT OF ANTHONY S. LOWE, OF WASHINGTON  
TO BE ADMINSTRATOR, FEDERAL INSURANCE AND  
MITIGATION ADMINISTRATION  
FEDERAL EMERGENCY MANAGEMENT AGENCY**

Mr. LOWE. Thank you very much for holding this hearing so expeditiously on my nomination for the Administrator of the Federal Insurance and Mitigation Administration at FEMA.

It is an honor to appear before the Committee. I would like to express my deep appreciation to President Bush for nominating me for this position, as well as to Director Allbaugh, for the confidence and trust that he has placed in me.

The Nation, particularly since September 11, recognizes the outstanding leadership of the President and Director Allbaugh, and it would be my privilege to serve alongside them.

I want to thank Senator DeWine for his kind and gracious remarks, and for giving me an opportunity to serve the country as an attorney on his Judiciary Subcommittee staff. Senator DeWine, former Senator Slade Gorton, the late Judge William L. Dwyer, the late Marian Diggs and Alice Warinner, have all taught me to strive for the public good, intellectual excellence, personal integrity, and then to pass it on, and I thank them.

I would also like to thank those who support me from day-to-day and ground me. First, I would like to introduce my wife, Angela Caldwell Lowe, her father, Thomas Caldwell, my daughter, Ariana—she is 10 months old—my mother, Betty Harris.

Chairman SARBANES. I see Mr. Caldwell is carrying out the responsibilities of a grandfather here this morning.

[Laughter.]

Mr. LOWE. Linda is a close friend of our family from North Carolina, who accompanied my brother, Reverend Doctor Paul Lowe. Mohamadou Barry, who is holding my daughter Ashton Lowe, who is almost 5 years old. My mother-in-law, Barbara Barry, and a dear friend of mine, Angela Williams, who served with me on the Judiciary Committee, working for Senator Kennedy. And we also went through theology school together, both of us being on staff on the Judiciary Committee, and on the weekends traveling to Richmond to attend Virginia Union University, School of Theology.

Chairman SARBANES. Is there something about the work of that Subcommittee that drives you to divinity school?

[Laughter.]

Mr. LOWE. I would also like to say something about the FEMA staff, because a number of them have come. I am not sure if that is support, but I hope so.

Howard Leikin, the Deputy Insurance Administrator at FIMA. The Acting Director sits behind me, Bob Shea, who is also the Deputy Mitigation Administrator at FIMA. Both of them have long years of commitment at FIMA and I appreciate their support and assistance throughout this process. There are a number of other FEMA staff also present, and I also appreciate them appearing as well to show support for me.

If confirmed for this position at FEMA, I would be the first administrator of the newly realigned Federal Insurance and Mitigation Administration. Last August, Director Allbaugh, as part of the major realignment within FEMA, brought together the Former Federal Insurance Administration and the Former Mitigation Directorate into a single organization, the Federal Insurance and Mitigation Administration, FIMA.

All of the resources of both organizations are now merged under the new FIMA, to form a cohesive unit to coordinate the delivery of the Nation's hazard reduction programs. These programs have been called the cornerstone of emergency management since they focus on the protection of life and property.

As Administrator of FIMA, I would be an outspoken advocate for the Administration's mission to protect lives and to reduce the loss of property from disasters. My vision is for the Federal Insurance and Mitigation Administration to become the premier all-hazard agency across the Federal Government. I believe we can do this by building upon our strong public- and private-sector partnerships to substantially protect our homeland from the risks of disasters. I have enjoyed my meetings with both members and staff leading up to this hearing. If confirmed, it would be my hope to continue the exchange of ideas we have already begun.

I appreciate the important role this Committee plays, not only in the passage of our governing legislation, but also in the counsel you offer to ensure the law reflects its highest intent and serves the best interests of our Nation. You provide an invaluable resource that I hope to avail the Federal Insurance and Mitigation Administration, as I carry out the duties of this new job.

I am committed to the people's needs. Recently, while walking the streets of LaPlata, Maryland, I observed firsthand the tragic destruction and suffering left in the wake of the April 28 tornado. It reminded me of the absolute necessity to do the right things for the right reasons and at the right time. So many people in need depend on us.

In an earlier disaster, I recall being told about a victim looking at her flooded home and ruined belongings and asking a simple but profound question: "Why did they ever let people build here in the first place?" Each level of Government must take stock in answering it. The programs of the Federal Insurance and Mitigation Administration are working and will continue to work with State and local governments to reduce future suffering and prevent losses in

areas subject to hazards. As a Redmond City Planning Commissioner, many of these programs guided our development decisions to keep our community from harm's way.

Mitigation and insurance—these are the two pillars of FIMA. They form the cornerstone of emergency management. Mitigation is a hard term to define, but I would suggest words do not adequately express actions that we see when we look at FIMA.

Mitigation means building safer and smarter in areas prone to hazards. It means elevating new construction in flood plains above harm's reach, and in some cases, keeping buildings out of harm's way by not building in certain areas in the first place. Where mistakes have been made in the past, mitigation means removing buildings out of harm's way. It means retrofitting buildings in the flood plains and in the earthquake-prone areas to withstand future damage. It means designing and encouraging safe rooms in tornado alley.

And knowing that our efforts cannot prevent all future damages from the forces of nature, we have insurance. We are, after all, east of Eden, and we know we will experience the inevitable upheavals of nature. So we have insurance to protect people from financial hardship and ruin after a natural disaster. Here, we can encourage all property owners to buy private-sector insurance to cover their losses from wind, fire, and hail. And because there is a gap in the private sector for flood coverage, Congress authorized the National Flood Insurance Program. Through the flood program, FIMA will continue to provide flood insurance protection to citizens who are at risk from water disasters. Mitigation and insurance—they are the people's work.

Last night, I read my daughter Ashton the story of Noah. In that story, God told Noah specifically how to build the Ark to ensure the survival of humanity. Mitigation and insurance are really God's work. It is an honor to be nominated to discharge these duties for the Nation. With the guidance of Congress, the support of States and the private sector, and the active involvement of communities, I believe, together, we can lead America to prepare for, prevent, respond to, and recover from disasters.

Again, I thank the Committee and I appreciate your consideration, Mr. Chairman.

Chairman SARBANES. Thank you very much. We appreciate your thoughtful statement. I have a few questions I would like to ask you. First of all, I want to address FEMA's flood plain maps.

Mr. LOWE. Yes.

Chairman SARBANES. Which I think everyone agrees are in serious need of modernization, since they are the maps that communities rely on in making decisions about building locations and the property owners rely on in determining whether to buy flood insurance. How important a priority do you think modernizing the FIMA's flood maps are?

Mr. LOWE. For me and for the flood program, it is the number-one priority. And the reason why it is the number-one priority is because 25 million people use those maps every year. They are citizens. They are lenders. They are staff. They are banks. There are so many people who rely on those maps to make decisions.

For the insurance program, ratings are set based on those maps. Two-thirds of those maps are older than 10 years, probably even older than 15 years, and we have about 2,500 areas which are not mapped at all. And so, this leads to bad decisions.

It also is the case now, post-September 11, that the detail that those maps provide can be useful in other areas. And I am speaking of, for example, homeland security. If we were to digitize those maps, as the President has called for with his request for \$300 million in additional map funding, we would have an opportunity to update those maps and automate the entire process. So on a GIS technology platform, we could begin to add layers of detail which are helpful for many other purposes. And so, this is really a high priority, I believe, for the country.

Chairman SARBANES. We are encouraged that the President's budget calls for a significant increase in funding for flood map modernization. I have talked to Director Allbaugh about this.

Of course, this is the first installment. It has to be followed by others if we are going to complete the job. And I think one of the very important responsibilities that you would have is, one, to work the money through the Congress, the money that is in the current budget. Two, then to make sure that there is money in the next budget. Then to work that through the Congress. And money in the subsequent budget, work that through the Congress. How long would it take us, moving at an intense pace, to get a full set of modern flood maps? Do you have any idea?

Mr. LOWE. About 3 years. I think 2 to 3 years.

Chairman SARBANES. Yes.

Mr. LOWE. That is working at a fairly good pace. And I think a lot of that depends on the decisions that are made today on the technologies that are used and the method that we go about mapping in the quickest and most efficient possible manner.

Chairman SARBANES. Well, I hope you will keep it as a very high priority. I think it would be a significant accomplishment if, under your tenure, we could end up with fully modernized flood maps. If remapping places more homes in the flood zone, how will people be notified about that?

Mr. LOWE. The flood program works in cooperation with communities, with local community flood plain managers and the like. And so, modernization and digitization of these flood maps allows us to update the information so we, in fact, know who is where. Based upon that information FIMA would send a notice to those people so that they know where they are located in regards to the flood plain. The community at large including the flood plain manager and developers would also be involved in that process.

Chairman SARBANES. Right. I understand that many at-risk properties still remain uninsured. In fact, the President's budget establishes a goal of increasing the number of flood insurance policies in force by 5 percent in 2003. What actions do you have in mind to increase participation in the flood insurance program?

Mr. LOWE. For the flood insurance program, that is a high priority as well. Obviously, we are not able to spread the risk and lower costs or even maintain them, unless we are able to increase policy growth. And so, there are a couple of things that need to happen.

It is my understanding over the last period of time, perhaps a year or so, there has been a great deal of attention on this issue. And one of the things that has been found is that retention is a major problem. If we look at policy growth last year, it was 15 percent. So there is a 15 percent increase, about 600,000 policies, last year. But at the same time, there is also a loss of about 500,000 policies, if you will, out of the back end. And so, retention becomes a major issue.

GAO is also working on a study now dealing with lender compliance. And it may, in fact, be the case that during the refinance period, literally, the computer system being used by the industry may be dropping out, inadvertently, people who should be insured and, in fact, by law, are required to be insured. So, if we can begin to fill that hole, that is helpful. But we also have to continue to educate people and deliver the message of the importance of prevention and insurance.

Chairman SARBANES. I am interested in those figures. Are there any surveys as to why people are dropping out? Can you pinpoint the factors?

Mr. LOWE. I do not know if we know all the factors. I have asked this question and I know that the insurance staff has been working to try to figure it out. In fact, they have been meeting. They met last week with our private-sector partners, and I am sure part of those discussions were trying to understand with all of our stakeholders the real problems. I understand there is also a study on that which hopefully will be out soon. Internally, a working group has also been formed to figure out what all the causes are so that we can begin to address them.

Chairman SARBANES. I think the Committee would be interested in what your findings are—

Mr. LOWE. We would be happy to share that information.

Chairman SARBANES. —when you work through the study, as to the reason why you have such a significant number who have flood insurance and then drop it.

Actually, as I understand it, flood insurance is required for property owners in a 100 year flood plain who hold a mortgage from a Federally regulated lending institution. The lenders are responsible for insuring that flood insurance is in place if it is required and the banking regulators are responsible for insuring that the lenders are carrying out their responsibility. Now, we have heard some concern about the level of compliance with these requirements. Do you have any view as yet about the level of compliance? And if so, what can FEMA do to improve compliance?

Mr. LOWE. Yes. As I understand, Congress, in fact, has asked for a report on this. I know GAO is working on that report on lender compliance and I understand that that is supposed to be done at the end of May. I am not in a position to know as yet what those findings may be. I certainly have not seen any drafts. It is clear, though, that FIMA is not in a position, has no regulatory authority in that regard. So we are relying on lending regulators to really enforce those provisions. We want to work with them, to be helpful as we can. I am hopeful that I can begin to engage them if I am confirmed, so that there is closer coordination, so we all understand what we need to do and what needs to be accomplished.



Chairman SARBANES. Well, if these requirements are not being met, we really need to tighten that up. I would hope that that is something you could review in short order and see what can be done.

Mr. LOWE. Certainly, Senator.

Chairman SARBANES. I wanted to ask about the relationship between subsidy reduction and mitigation activities. Properties that were built before a flood map was available for the properties' location pay a subsidized premium for flood insurance. There have been proposals made either to reduce or eliminate that subsidy.

Now, the difficulty is if you reduce or eliminate the subsidy without increased mitigation funding, it could result in significantly higher premiums that would put a substantial burden on policyholders who may not be able to reduce their risk or move without substantial mitigation assistance from FEMA. Now these were properties that were there before we ever put the current framework into place, so they have always gotten, in a sense, a special treatment. But it is a recognition that they were there, in a sense, ahead of time. What is your view about this problem?

Mr. LOWE. This is a serious issue. It has, in fact, been around for some time. But it is something that needs to be resolved. There are about 1.2 million insurance policies in the flood program that are subject to the subsidy that you referred to. We started out, I understand, with about 100,000 historically, when the program was created, which was really kind of an agreement with local communities that we would subsidize those policies if we gained their participation in the management of the flood plain. Those policies pay between about 35 to 45 percent of the actuarial rate for flood insurance. So the subsidy is fairly high.

As you know, the Administration has recommended in its budget to begin to reduce that subsidy on homes that are nonresidential, vacation homes and the like, over a period of time. Obviously, that is something that would have to occur by working with Congress and figuring out what such a time might be.

There is an issue as it pertains, particularly to residential homes, perhaps a little less on vacation homes, as to the impact on renters who may be renting a vacation home as a permanent residence. And that is an issue that is perhaps not as much an insurance issue, but it is a housing issue and it is an issue that the director is concerned about.

Currently, there is a report that is being prepared that deals with the demographics of people who would be subject to subsidy reduction and what the impact of that would be on HUD's programs. And so, the director is very concerned about that, as I am as well. This is something that we want to work with Congress on to make sure that we do the right thing by all who are involved.

Chairman SARBANES. Yes, this is a complex issue and we need to proceed in a very prudent way in addressing it. It needs to be addressed, but we could create lots of problems if we do not do it correctly. And we look forward to working with you on that.

I want to ask you about the President's proposal to replace the post-disaster hazard mitigation grant program with a new \$300 million competitive grant program for pre-disaster mitigation, as I understand it.

Mr. LOWE. Right.

Chairman SARBANES. And this is in lieu of, rather than in addition to, or complementary to, as I understand it. The concern I have is that FEMA's post-disaster mitigation program, which has been its primary mitigation effort, took advantage of the window of opportunity that exists in the post-disaster environment, to get local cost-sharing on projects and, perhaps more importantly, to get a kind of motivation to undertake these mitigation activities. Now, with a pre-disaster program, would this opportunity to get mitigation activities undertaken be lost?

I am in favor of doing pre-disaster mitigation so you do not have the disaster and the damage. On the other hand, I really prefer to see it as in addition thereto, so that we still have some money or commitment to do post-disaster mitigation, when localities and their constituents may be significantly more disposed to do something. And that is certainly been the experience in my State. We have found people much more willing to undertake significant mitigation efforts in the aftermath of a disaster. It is not exactly the best way to do it, but dealing with the human temperament, I do not know that we want to just close that aspect out and throw it all into pre-disaster mitigation. Do you have any thoughts on that?

Mr. LOWE. Yes, I do. The budget did suggest that. The director has been clear on the record, in hearings, as well as with me directly, that he strongly believes that we need both, and there should be a balance. So that is my charge. In walking the streets of LaPlata and beginning to really look at how the community itself was coming together and people were helping each other to sift through the rubble and to begin to try to put their lives back together again, it was clear that there was a community of people who were ready to take some action to prevent this harm in the future.

I have given your staff a little briefing packet on the damage at LaPlata. And when you look at that, what you begin to see is there are some fairly straightforward and, I would suggest, simple things that can be done to avoid substantial damage. But right now, there is an opportunity. The Hazard Mitigation Grant Program has been, as you know, made available to Maryland for mitigation activities, and I know that some folks from FIMA are in Maryland to begin to talk to communities, to people, homeowners, businesses, about some of the steps, particularly as it pertains to building construction, that can be taken to mitigate future harm. And so, this is exactly the balance that needs to occur.

As you mentioned, for example, as it pertains to subsidy and repetitive loss properties, we are again talking about pre-disaster. And again, those pre-disaster mitigation funds can be very helpful. So, again, that is an area where pre-disaster mitigation is important, as well as post-disaster mitigation.

Chairman SARBANES. Well, I do want to express our appreciation to you for moving quickly on the LaPlata situation. Obviously, I was there the day after and saw the extraordinary damage that was done. We know you are in there now working closely with them under the Mitigation Grant Program so that they undertake long-term hazard mitigation methods.

These materials that you prepared, the LaPlata tornado damage survey and other materials, are extremely helpful. And we look forward to working very closely with you on this particular effort right now. The governor, of course, was there only yesterday and made a major commitment of State funds. And we have an opportunity to use this disaster to really help the community to come back. They have been badly battered and the fact that FEMA was in there very quickly was important in helping to boost people's attitudes about what the prospects are.

But we do not want to let down on that effort. It is, of course, right at hand, so there is an opportunity, really, for people right in central headquarters to, as you did, actually get out there and see it, and also, to keep tabs on it. So, we may have a chance here to really show how this should be done, a kind of test-case example. I encourage you on the efforts.

The other thing is, once you have been in the position for a while, we may want to come back and do an oversight hearing. I am not going to take the time this morning to look at the extent of the financial exposure that exists and to analyze that in terms of the coverage of the insurance in force, the premiums, the balances and so forth and so on. But that all, of course, also needs to be looked at.

But we are anxious to get you on the job. I am hopeful I can get the Committee to move this nomination in the near future, over the next couple of weeks, I would hope, and so we can get you into place—well, hopefully, sometime this month. I would like to get that done, so you can forget about the confirmation process. You cannot forget about the Senate, but you can forget about the confirmation process.

Mr. LOWE. We will not forget about the Senate. Thank you, Chairman Sarbanes.

Chairman SARBANES. And get on about your business.

The hearing stands adjourned.

Mr. LOWE. Thank you.

[Whereupon, at 11 a.m., the nomination hearing was adjourned.]

[Prepared statement, biographical sketch of the nominee, and response to written questions follow:]

**PREPARED STATEMENT OF MIKE DeWINE**

A U.S. SENATOR FROM THE STATE OF OHIO

MAY 8, 2002

Mr. Chairman, I am pleased that this Committee is considering the nomination of Anthony S. Lowe for Administrator of the Federal Insurance and Mitigation Administration (FIMA), at FEMA. I welcome his wife, Angela; his daughters, Ashton and Ariana; his mother, Betty Harris; his brother, Reverend Paul Lowe; his mother-in-law, Barbara Barry; and her husband, Mohamadou.

I would like to take a few moments to tell the Committee about Anthony's background and qualifications. In 1982, Anthony graduated cum laude from the University of Washington with a degree in international political science. He went on to receive his law degree from the University of Santa Clara in California, and he has studied law in Singapore and China.

Prior to working for me, Anthony was a Land Planning Commissioner for the City of Redmond, Washington from 1994–1996. In this position, Anthony had an opportunity to apply many of the land use planning guidelines that are now administered by the Federal Insurance and Mitigation Administration. He served as my Senior Legislative Counsel on the Antitrust, Competition, and Business and Consumer Rights Subcommittee of the Judiciary Committee.

Anthony possesses great integrity and has the professional background and executive skills necessary to get the job done. Because the FIMA Administrator must develop broad strategies and set policy, as well as persuade and coordinate with others at the highest levels, the success of its natural hazard risk reduction programs will rest on the ability of someone who can lead and forge relationships. That is precisely what Anthony Lowe will bring to this position.

While working for me, Anthony spearheaded legislative initiatives on anticrime and counterterrorism technology, law enforcement assistance, and legal protections for the mentally ill and children. Among these legislative issues, one of the most notable laws enacted was the Crime Identification Technology Act of 1998, with its billion-dollar authorization and its charge to assist State and local communities in their anticrime and counterterrorism technology programs. That law has helped set the tone for the application of technology in securing our borders against terrorism. It is also part of our effort to keep citizens out of harm's way in the event of a man-made disaster.

Anthony's Federal, State, and local government experiences also have given him a unique perspective to oversee the complex programs of the Federal Insurance and Mitigation Administration. Furthermore, because he has significant experience fashioning and implementing national programs, I know he appreciates the complex programs of FEMA—the National Flood Insurance Program, the National Earthquake Hazards Reduction Program, and Dam Safety, among many others that actually are delivered at the local level.

All of this demonstrates, Mr. Chairman, that Anthony Lowe is right for the job of Administrator of the FIMA. I am confident that he will bring the same leadership, the same personal and professional integrity, and the same determination to the position of Administrator. I wholeheartedly support his confirmation, and I encourage my colleagues to do the same.

**PREPARED STATEMENT OF ANTHONY S. LOWE**ADMINISTRATOR-DESIGNATE, THE FEDERAL INSURANCE AND  
MITIGATION ADMINISTRATION  
FEDERAL EMERGENCY MANAGEMENT AGENCY

MAY 8, 2002

Chairman Sarbanes, Senator Gramm, and Members of the Committee, thank you for holding this hearing today on my nomination to be Administrator of the Federal Insurance and Mitigation Administration at the Federal Emergency Management Agency (FEMA). It is an honor to appear before this Committee.

I would like to express my deep appreciation to President Bush for nominating me for this position, and to Director Joe Allbaugh for the trust and confidence he has shown in me. The Nation, particularly since September 11, recognizes the outstanding leadership of the President and Director Allbaugh, and it would be a privilege to serve alongside them.

I want to thank Senator DeWine for his kind introductory remarks and for giving me an opportunity to serve the country as an attorney on his Judiciary Subcommittee. Senator DeWine, Former Senator Slade Gorton, the late Judge William L. Dwyer, the late Marian P. Diggs and Alice Warinner, have all taught me to strive for the public good, intellectual excellence, personal integrity, and then, to pass it on. Thank you.

If confirmed, I would be the first Administrator for the newly realigned, Federal Insurance and Mitigation Administration. Last August, Director Allbaugh, as part of a major realignment within FEMA, brought together the Former Federal Insurance Administration and the Former Mitigation Directorate into a single organization, the Federal Insurance and Mitigation Administration (FIMA). All of the resources of the separate organizations are now merged under the new FIMA to form a cohesive unit to coordinate the delivery of the Nation's natural hazard reduction programs. These programs have been called the cornerstone of emergency management since they focus on the protection of life and property.

As Administrator of FIMA, I would be an outspoken advocate for the Administration's mission to protect lives and reduce the loss of property from natural hazards. My vision is for the Federal Insurance and Mitigation Administration to become the premier all-hazard agency across the Federal Government. I believe we can do this by building upon our strong public- and private-sector partnerships to substantially protect our homeland from the risks of natural disasters.

I have enjoyed my meetings with both Members and staff leading up to this hearing. If confirmed, it would be my hope to continue the exchange of ideas we have already begun. I appreciate the important role the authorizing Committee plays, not only in the passage of our governing legislation, but also in the counsel you offer to ensure the law reflects its highest intent and serves the best interests of our Nation. You provide an invaluable resource that I hope to avail the Federal Insurance and Mitigation Administration as I carry out the duties of my new job.

I am committed to people's needs. Recently, while walking the streets of LaPlata, Maryland, I observed the tragic destruction and suffering left in the wake of the tornado, and it reminded me of the absolute necessity for me to do the right things, for the right reasons, and at the right time. So many people in need depend on us.

In an earlier disaster, a victim was looking at her flooded home and ruined belongings when she asked a simple but profound question, "Why did they ever let people build here in the first place?" Each level of Government must take stock in answering it. The programs of Federal Insurance and Mitigation Administration are working, and will continue to work with State and local governments to reduce future suffering and prevent losses in areas subject to hazards. As a Redmond City Planning Commissioner, many of these programs guided our development decisions to keep our community from harms way.

Mitigation and insurance—these are the two pillars of FIMA that form the cornerstone of emergency management. Mitigation is a hard term to define but actions speak far louder than words. Mitigation means building safer and smarter in areas prone to natural hazards. It means elevating new construction in the flood plains above harm's reach, and, in some cases, keeping buildings out of harm's way by not building in certain areas in the first place. Where mistakes have been made in the past, mitigation means removing buildings out of harm's way. It means retrofitting buildings in the flood plains and in earthquake-prone areas to withstand future damage. It means designing and encouraging "safe" rooms in tornado alley.

And, knowing that our efforts cannot prevent all future damages from the forces of nature, we have insurance. We are, after all, east of Eden, and we know we will experience the inevitable upheavals of nature. So we have insurance to protect people from financial hardship and ruin after a natural disaster. Here, we can encourage all property owners to buy private-sector insurance to cover their losses from wind, fire, and hail. And because there is a gap in the private sector for flood coverage, Congress authorized the National Flood Insurance Program. Through the flood program, FIMA will continue to provide flood insurance protection to citizens who are at risk from water damage.

Mitigation and insurance—they are the people's work. Last night, I read to my daughter Ashton, the story of Noah. In that story, God told Noah specifically how to build the Ark to ensure the survival of humanity. Mitigation and insurance are really God's work. It is an honor to be nominated to discharge these duties for the Nation. With the guidance of Congress, the support of States and the private sector, and the active involvement of communities, I believe together, we can lead America to prepare for, prevent, respond to, and recover from disasters.

Again, thank you for the consideration you have given me today. I would be happy to answer your questions.

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**STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES**

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**Name:** Lowe      Anthony      Steven

**Position to which nominated:** Federal Insurance and Mitigation Administrator

**Date of nomination:** March 22, 2002

**Date of birth:** 3    27    61                      **Place of birth:** King County, WA.

**Marital Status:** Married                      **Full name of spouse:** Angela Caldwell Lowe

**Name and ages of children:** Ashton Bailey Lowe, 4 yoa; Ariana Alys Lowe, 8 months

**Education:**

University of Washington	1978-1982	B.A.	1982
Cum laude			

Santa Clara University, School of Law	1984-1988	J.D.	1988
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National University of Singapore			
(Law abroad program)	1985		1985
East China Institute of Politics & Law			
(Law abroad program)	1987	Cert.	1987

Virginia Union University, School of Theology			
(Ranked 8)	1998-2001	M.Div.	2001

**Honors and awards:**

National Task Force on Privacy, member, 2000.

National Consortium for Justice Information and Statistics, for "extraordinary contribution to the use of Information, Identification and Communications Technologies in the Administration of Justice and Establishment of a National Compact for the Exchange of Criminal History Record Information," 1999.

Leadership Tomorrow, Greater Seattle Chamber of Commerce, 1995.  
 Alpha Phi Alpha, 1995.  
 Scholarship recipient, University of Washington  
 Scholarship recipient, Santa Clara University

**Memberships:**

Antioch Baptist Church	Member (1999-present)
Alpha Phi Alpha Fraternity	Member (1995-present)
Children's Home Society	Trustee (1995-1997)
Washington State Prosecuting Attorneys Association	Member (1992-1997)
Washington State Bar Association	Member (1992-present)
U.S. District Court for the Western District of Washington, Bar	Member (1992-present)
United States Court of Appeals for the Ninth Circuit, Bar	Member (1991-present)
District of Columbia Bar Association	Member (1991-present)
United States Court of International Trade, Bar	Member (1991-present)
Pennsylvania State Bar Association	Member (1990-present)
Bellevue Breakfast Rotary	Member (1994-1997)

**Employment record:**

Senior Legislative Counsel. United States Senate Judiciary Subcommittee on Antitrust, Competition & Business Rights, Washington, D.C. (1997-2002).

Deputy Prosecutor. King County Prosecutor's Office, Felony Division, (1992-1997).

Legal Counsel. Washington State Senate, Majority Office of Legal Counsel and Policy Development, Olympia, Washington, (1991-92).

Judicial Extern. United States Court of Appeals for the Ninth Circuit, Judge Robert R. Beezer, Seattle, Washington, (1991).

Associate Director. International Center for Economic Growth and International Center for Self-Governance programs of the Institute for Contemporary Studies (ICS), Washington, D.C., (1990-1991).

Legislative Assistant. United States Senator Slade Gorton (R-WA), Washington, D.C., (1988-1990).

Law Clerk. Bancroft Avery and McAllister, San Francisco, CA., (1987).

Law Clerk. Donaldson & Burkinshaw, Singapore, (1985).

Senior Trade Intern. International Trade Administration, U.S. Department of Commerce, (1983-1984).

**Government Experience:**

Justice Technology Focus Group Assessing the Implications of the Terrorist Attacks on America for Justice Information and Technology, (DOJ-BJA/Search), Member 2002

Redmond Planning Commission, Commissioner, 1994-1996.

(Please see also employment above)

**Published Writings:** None.

**Political Affiliations and activities:**

African American Coalition for Bush/Cheney 2000

Washington State Insurance Commissioner, republican candidate in the 1996 general election.

U.S. House of Representatives, Washington, republican candidate in the 1994 primary election.



TV/Radio political and legal analyst, 1994-1997.

**Political Contributions:** 1994 Lowe for Congress \$3000.

**Qualifications:**

My career in public service has focused on serving those who are or have been in harms way. My background and employment experience have prepared me for this responsibility. Most recently, my experience as senior legislative counsel on the U.S. Senate Judiciary Committee, gave me significant oversight experience of Federal agencies, and in-depth understanding of the management and coordination of national programs to assist State and local governments, and individuals. My legislative and prosecutorial background together has also given me direct experience into policy development, implementation, and enforcement of the law. In addition, my elective experiences lead me to spend more than a year preparing to manage a large public insurance agency. In this connection, I learned principles of insurance and complex insurance fund management concepts, including actuarial issues related to solvency of public insurance programs. It is a privilege to be considered by this Committee to serve in this position.

**Future employment relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate. Yes.
2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization. No.
3. Has anybody made to you a commitment to a job after you leave government? No.
4. Do you expect to serve the full term for which you have been appointed? Yes.

**Potential conflicts of interest:** None. As is standard procedure, I would seek and follow the advice of ethics counsel within FEMA to resolve any potential conflict of interest.

**Civil, criminal and investigatory actions:**

1. During my 1996 race for Insurance Commissioners, two primary opposition candidates made complaints against my campaign that were investigated by the and the use of a "blind trust" to shield my knowledge of the campaign's contributor list. The complaints were dismissed.
2. There have been no investigations of me by any professional association or bar association.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR AKAKA  
FROM ANTHONY S. LOWE**

**Q.1.** In the President's fiscal year 2002 budget request, the pre-disaster grant-based mitigation program was eliminated because it was deemed ineffective. This \$25 million program was maintained in FEMA's fiscal year 2002 budget by Congress. In the President's fiscal year 2003 budget request, all disaster mitigation programs are consolidated into a \$300 million pre-disaster mitigation grant program. Each time the Administration has changed the disaster mitigation programs, those eliminated have been labeled "ineffective" by the Office of Management and Budget. How will the effectiveness and benefits of the mitigation programs be determined in the future?

**A.1.** The key to strengthening our mitigation programs and increasing effectiveness is to allow mitigation to be achieved in a more predictable manner. With more funding available on an annual basis, State and local governments would be in a better position to plan, establish, and implement their mitigation priorities.

FEMA would collaborate with its State partners and other stakeholders to improve the programs, as well as to develop a fair, reasonable, and appropriate means for the competitive review and selection of grant proposals. For example, criteria would focus on quality of the proposed projects, ability of the project to address State and community mitigation priorities, and cost-effectiveness. The competitive award of the grants should bring a greater emphasis to selecting projects that would offset the Federal costs of disasters, again leading to increased effectiveness and benefits of the Federal dollars expended for this purpose.

In addition, we would plan to establish a project evaluation process to determine how well projects achieved mitigation goals. This effectiveness evaluation would help to better link resources to performance information for planning and reporting purposes, and would provide opportunities to identify and promote "best practices." The effectiveness information also could be used in reviewing and adjusting evaluation criteria for future grant competition, as appropriate.

**Q.2.** The proposed mitigation program will be administered through a competitive grant process to award \$300 million to States. How will the Federal Insurance and Mitigation Administration (FIMA) ensure public participation from State and local emergency managers and officials on the proposal?

**A.2.** FEMA's strategy will be to partner with the States and organizations representing local officials to involve them in a number of ways, collaborating to define the competitive grant program guidance and policy. FIMA will look for both formal and informal opportunities to ensure that collaboration takes place. For example, senior FEMA managers recently attended a meeting of the National Emergency Managers Association (NEMA), where we were able to obtain their thoughts and ideas regarding the implementation of the proposed program. In addition, we are planning to hold a listening session later this year to include other constituent organizations for both State and local officials.

As the program is implemented, States would play a substantial role coordinating with their local communities to solicit, review, and prioritize grant applications. We anticipate establishing a board consisting of Federal, State, and local experts to conduct the final application review and selection. The competitive award of the grants should bring a greater emphasis to selecting projects nationwide that will offset the Federal costs of disasters. The States would continue to play an essential role in the implementation of all of FEMA mitigation grant programs, including providing technical assistance to communities. Finally, a project evaluation process would be established to determine how well projects achieve mitigation goals. States would play an active role in establishing this process, which would help to better link resources to performance information for planning and reporting purposes.

**Q.3.** The Disaster Mitigation Act of 2000 requires States and local communities to develop mitigation plans by November 2003 in order to qualify for future mitigation funds. How will FIMA assist the States in developing plans and implementing this new requirement by November 2003? What resources will be necessary to provide this assistance?

**A.3.** To assist States and local communities (including tribes) in developing mitigation plans that meet the planning requirements of the Disaster Mitigation Act of 2000, Federal Insurance and Mitigation Administration will provide technical assistance in the form of how-to guides and as-needed individual help, and policy guidance and information to ensure consistent application of the requirements nationwide. In addition to providing technical assistance with the general planning provisions, FIMA will provide focused assistance with the risk assessment portion of the planning process by marshaling our resources in building sciences, loss estimation (using FIMA's Hazards U.S. (HAZUS) software), and multihazard mapping. State-focused risk assessment workshops are planned for early fiscal year 2003.

Many tools and resources have already been developed and deployed. In April, FIMA conducted 10 regional workshops on the DMA planning requirements, where all States were in attendance. One How-To Guide was published in August 2001, and eight more are in development and/or production. A local mitigation planning workshop has been developed for the States to deliver to their localities.

Over \$20 million in Pre-Disaster Mitigation (PDM) grants will be made available to States and tribes in fiscal year 2002, the bulk of which is being used by States to revamp existing planning programs to meet the new DMA requirements. The Administration has requested a significantly greater amount of PDM funding for fiscal year 2003, and while this funding can be used for a variety of mitigation initiatives, it is expected that at a minimum, a similar amount of funding will be available to support mitigation planning in the next fiscal year as well.

**Q.4.** Does the Administration's proposal to consolidate all disaster mitigation programs into a pre-disaster grant-based mitigation program make it easier to implement the Disaster Mitigation Act requirements? How so?

**A.4.** The Disaster Mitigation Act of 2000 provides a real incentive for communities to assess their risks, evaluate their vulnerabilities, and incorporate an action plan into the ongoing planning processes that many jurisdictions undertake already. With the recognition of the importance of mitigation planning, many communities will be better positioned to develop cost-effective proposals for mitigation projects and activities. Under the fiscal year 2003 budget proposal, communities would no longer be dependant on a disaster declaration in order to obtain a FEMA grant to protect their constituents, meaning that State and local governments would be in a much better position to plan, establish, and implement their mitigation priorities, thereby supporting the goals of the Disaster Mitigation Act of 2000.

With the recognition of the importance of mitigation planning, many communities will be better positioned to develop cost-effective proposals for mitigation projects and activities. Awarding grants on a competitive basis will help to ensure that the most worthwhile, cost-beneficial projects receive funding. Funded activities will reduce the risks of future damage in hazard prone areas, thereby reducing the need for future disaster assistance. The development of State and local mitigation plans could be used as a focal point for coordination of Homeland Defense Community activities, as well as focusing on hazard mitigation and land use issues.

Although we strongly support the proposed program, the Director and I also strongly believe that both pre-disaster and post-disaster mitigation funding is necessary, and that a balance needs to occur in the use of those programs and funds. In the immediate post-disaster environment, States, local communities, and citizens affected by disaster recognize the need for effective mitigation and are willing to take the steps necessary to remove themselves from harm's way and reduce or eliminate the losses and costs associated with future events. The infusion of funds made available following disasters have enabled critical mitigation work to be done. However, because the funds are tied to specific disaster events, implementation of long-range mitigation priorities established through a comprehensive planning process at the State and local community level is sometimes difficult to achieve. The current proposal for a pre-disaster mitigation program, providing consistent levels of funding from year to year, coupled with an appropriate post-disaster program or post-disaster funding would greatly assist in achieving those mitigation priorities.

**NOMINATIONS OF:  
CYNTHIA A. GLASSMAN, OF VIRGINIA  
AND  
ROEL C. CAMPOS, OF TEXAS  
TO BE MEMBERS OF THE U.S.  
SECURITIES AND EXCHANGE COMMISSION**

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**TUESDAY, JULY 23, 2002**

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Committee met at 10:05 a.m. in room SD-538 of the Dirksen Senate Office Building, Senator Paul S. Sarbanes (Chairman of the Committee), presiding.

**OPENING STATEMENT OF CHAIRMAN PAUL S. SARBANES**

Chairman SARBANES. This hearing will come to order.

This morning, the Committee on Banking, Housing, and Urban Affairs meets to hold a hearing on the nominations of Cynthia A. Glassman and Roel C. Campos, to be Members of the Securities and Exchange Commission.

The SEC as we are all very well aware, plays a vital role in protecting investors and promoting the integrity and efficiency of the securities markets. In recent months, the securities markets have experienced an erosion in public confidence. Investors have seen too many instances of faulty accounting, misleading stock recommendations, unreliable auditor certifications, and inadequate issuer disclosures.

The Congress is seeking to address these problems. Last Monday, the Senate passed, by a vote of 97 to 0, the Public Company Accountability Reform and Investor Protection Act, which came out of this Committee. And currently, the Senate and the House are in conference seeking to reach agreement on a bill to send to the President. The President has indicated that he would like to have a bill before the August recess of the Congress and I think many of us subscribe to that objective and that is what we are seeking to accomplish.

The SEC is a pivotal actor in all of this, and its strong and effective actions to address these challenges could help to restore confidence in the markets and to increase their integrity.

We meet this morning to consider two nominees whose appointment I believe would help to strengthen the Commission, and I welcome both of them before the Committee.

Cynthia Glassman, who is a graduate of Wellesley College with a B.A. in economics, Wellesley has an enviable reputation for producing these economics graduates. They had this marvelous teacher there who has been featured in a number of articles over the years. Ms. Glassman is part of that coterie that went through that process.

She also went on to the University of Pennsylvania to get an M.A. and a Ph.D. in economics. She then worked at the Federal Reserve Bank of Philadelphia. Then was an Economics Supervisor at the University of Cambridge in England. She came back and went to work for the Federal Reserve Board here in town, eventually rising to the position of Chief of the Financial Reports Section.

She left the Fed and went into private activity, was a Senior Economist at Economists, Inc., and then for a decade worked at Furash & Company, a consulting firm serving the financial services industry, where she rose to the position of Managing Director.

Before this nomination to the SEC, she had, for 5 years, worked at Ernst & Young, rising to the position of Principal in the Quantitative Economics and Statistics Group.

Now, Ms. Glassman has been serving as a Commissioner since January of this year, having received a recess appointment from President Bush. She has also been on the boards of the Federal Reserve Board Credit Union, the National Economists Club, Women in Housing and Finance, a very active group with whom we have interacted, and they do a number of very good projects which I am personally familiar with, and also on the Commission on Savings and Investment in America.

Roel Campos is a graduate from the U.S. Air Force Academy, from the UCLA Graduate School of Business with an MS degree, and from Harvard Law School with a J.D. degree.

He served as an officer in the Air Force. He then practiced law in the private sector. He served as Assistant U.S. Attorney in the Central District of California from 1985 to 1989. And since 1995, he has been the Senior Vice President and Principal Owner of El Dorado Communications, a Houston, Texas radio broadcasting company.

Mr. Campos has been active in the community in Houston, serving on a number of boards and commissions. And we welcome his appearance before the Committee today.

With that, I yield to my colleagues.

Senator Enzi.

#### **STATEMENT OF SENATOR MICHAEL B. ENZI**

Senator ENZI. Thank you, Mr. Chairman. I appreciate your willingness to have a hearing for these final two SEC nominees before the August recess. And it is my hope that we can move them through the Senate before we depart for the August recess.

Chairman SARBANES. It is my intention to try and schedule a Committee meeting, if not here, then off the floor while we are voting over the next day or two, to report them out. That would then get them on the calendar and that would give us all of next week to move them through. Of course, the calendar is being held up, as you know, by Senator McCain. But perhaps that will be worked out. There are a number of people backed up there.

But if we can get them out of the Committee and get them positioned, then if that gate opens up, why, it is certainly my desire and hope that we can get these two nominees and the two we heard last week, which are the four Commissioners, all in place, confirmed with their terms and everything, and then we will have a fully functioning Commission.

I have been telling the Administration from the beginning, that have as soon as they got all of these nominees up to us, we would do a hearing, and that is exactly what we are doing.

Senator ENZI. Well, I appreciate your following through on that and the added emphasis to get it done by the August recess, if possible, because, as you have already mentioned in your statement, the Commission does need a full Commission for all of the weighty decisions that have been thrust on them and that we are about to thrust on them, so that they can do the most effective job possible.

As we saw last Friday, the investor certainty is still extremely low. The Dow dropped nearly 400 points in a single day. So it is clear that investors do not know what is around the corner.

I do not know that any of us know what is around the corner. I do not think that Washington passing legislation will calm all of those fears, but I do hope that the legislation will tell investors that corporate wrong-doers will have severe penalties and perhaps a jail cell waiting for them if they lie to shareholders.

I believe the Commission has done a good job of handling the situation. Chairman Pitt and the Commission staff seem to have worked tirelessly to implement the important reforms to cleanse the climate of corruption. Most importantly, in an effort to conclude all of the restatements, they are requiring that the CEO's of the thousand largest companies to certify their companies' financial statements. From what I understand, all of these companies are working diligently to scrub their statements to ensure investors of their accuracy. This is the type of due diligence that we need.

It seems that everybody is beginning to do their part. Companies are increasing stock buy-back plans. Corporate compensation packages are beginning to be reduced. And other market forces are correcting the corporate corruption. These initiatives will do more to restore confidence in the market than any legislative proposal developed by Congress.

In addition, if the bill passed by the Congress does not provide adequate safeguards for the companies and their auditors, it will merely add to the uncertainty.

I think the Commission will be well served having two individuals as qualified as these two nominees that we have before us today, and I am happy to assist in getting this process finished.

I cannot impress on the two of you enough the responsibility that you are about to undertake, although I sense that you already know that. I applaud your willingness to come to the public sector and sacrifice your time and compensation to assist the country in renewing the faith in the markets.

Again, Mr. Chairman, I appreciate your holding this hearing so we can move these nominees through the Senate. I hope that we can confirm them expeditiously and I look forward to working with you and the other Members of the Committee as we work to keep America's capital markets vibrant and the envy of the world.

Thank you.

Chairman SARBANES. Thank you very much, Senator Enzi.  
Senator Akaka.

#### COMMENTS OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I am delighted to be here with you and my friend across the aisle, Senator Enzi, and to join you in welcoming our witnesses this morning, Mr. Roel Campos and Ms. Cynthia Glassman. And I thank you, Mr. Chairman, for telling us about their lives and where they are coming from.

Also, I want to welcome your families. If you do not mind, Mr. Chairman, I would like to ask Mr. Campos and Ms. Glassman, in that order, to introduce your family to the Committee.

Chairman SARBANES. Please go ahead.

Senator AKAKA. Mr. Campos.

Mr. CAMPOS. Thank you, Senator. Please allow me to introduce my wife Mini, who is sitting right here behind me. Mini and I were high school sweethearts. She is my life's partner, my closest friend, and my wisest adviser. Mini is a graduate of Harvard Medical School and a practicing physician. We have been blessed with two sons, David and Daniel. David is 16, Daniel is 12. Our sons bring us pride and joy every day of our lives.

Senator AKAKA. Do your sons happen to be here?

Mr. CAMPOS. My sons could not be here today.

Senator AKAKA. Thank you.

Chairman SARBANES. Ms. Campos, that was a very definitive statement of Mr. Campos' love and affection for you.

[Laughter.]

Senator DODD. I think he read it, in fact.

[Laughter.]

Mr. CAMPOS. I had to because I did not think I could remember it at all.

[Laughter.]

Chairman SARBANES. Ms. Glassman.

Ms. GLASSMAN. Thank you very much. I would like to introduce my husband of 33 years, Len Glassman. He is sitting right behind me. He too is a physician. My mother-in-law, Mary Glassman, who has come down from Philadelphia for this hearing. My son, Ken, right here, who is at Goldman Sachs in New York. And his wife, who is also a doctor, Melissa Glassman.

Chairman SARBANES. Good.

Ms. GLASSMAN. They have come down from New York for this. Thank you.

Chairman SARBANES. We are very pleased to have you all here.

Senator AKAKA. Mr. Chairman, I am glad that we are moving on with Members for the Commission here because we know that the Securities and Exchange Commission, the Congress, and the country really are facing many great challenges. We need to fill the Commission with its Members. And this is because we are in the wake of incidents of misrepresentation of corporate fraud. The SEC will play a huge part in helping us bring back the confidence to our country and the industry.



The SEC must have effective leadership. We are looking to both of you adding toward that, and in order for the Commission to meet these significant challenges.

So, I want to wish you well. And hearing from the Chairman of your qualifications, there is no question you will certainly add to the Commission. And I would tell you at this point you have my support.

Thank you very much, Mr. Chairman.

Chairman SARBANES. Thank you, Senator Akaka.

Senator Allard.

#### **COMMENTS OF SENATOR WAYNE ALLARD**

Senator ALLARD. Thank you, Mr. Chairman. I am just going to make a brief comment.

I would like to welcome Ms. Glassman and Mr. Campos. I understand, Mr. Campos, you are a graduate of the Air Force Academy.

Mr. CAMPOS. Yes, sir.

Senator ALLARD. So, you spent a little time in Colorado.

Chairman SARBANES. It was a wonderful experience, wasn't it, Mr. Campos, being there in Colorado?

[Laughter.]

Mr. CAMPOS. It was outstanding.

Senator ALLARD. And that prepared you for the battle that you are now going to enter into, I am sure.

[Laughter.]

Mr. CAMPOS. Everything has been easy since then.

[Laughter.]

Senator ALLARD. Well, I would just like to join my colleagues in welcoming both of you to this Committee today. I want to thank you for your willingness to serve our country in your capacity as Members on the Securities and Exchange Commission.

There has been a lot of attention media paid to the Securities and Exchange Commission in recent months. Here in this Committee, we have held a lot of hearings and crafted legislation involving the SEC as well.

The Securities and Exchange Commission was created by Congress in 1934 to promote stability in the markets and to protect the investor. A great deal needs to be done at the SEC to restore its role as the investor's advocate. In the current environment, and in the midst of the loss of investor confidence in our markets, it is going to be particularly challenging.

The SEC needs more resources in order to strengthen its enforcement authority, as well as more qualified personnel at the agency in order to play this role. Both of you have impressive and experienced backgrounds and I appreciate that, and I think you have your work cut out for you. I am sure that you will be working hard and I am looking forward to hearing your ideas about what we can do to improve investor confidence.

Mr. Chairman, I look forward to hearing from the nominees.

Chairman SARBANES. Thank you, Senator Allard.

Senator Dodd.

#### **STATEMENT OF SENATOR CHRISTOPHER J. DODD**

Senator DODD. Well, thank you very much, Mr. Chairman.

Let me join the Committee in welcoming both of you. I congratulate you on the nominations which you have received from the President. It is a high honor to be asked to serve. And all of us are deeply grateful to both of you for your willingness to serve.

This is a challenging time. As someone said the other day when we were considering the nomination of another committee, that this is going to be a very difficult time at the SEC. That is true. But I also think it is a tremendously exciting time considering the challenges we face. And both of you bring a high degree of competency to these nominations. So, I look forward to voting for you and to also working with you.

Just a couple of comments. Mr. Campos, I gave an address on Sunday morning at the National Council of La Raza in Miami at their annual convention. And you should know that there is a great deal of excitement within the Hispanic and Latino community over your nomination. They wanted me to convey that to you, how excited they are that you are going to be a member of the SEC.

The only other thing that I would like to say to you is about the investor confidence issues that we talk about all the time. It is very important, and looking over your testimony, I think you understand that, both of you, very well.

The point I made the other day is something that needs to be stressed. And that is the importance of retaining your independence. You have been asked by people to serve. Your names have been put forward by people in the political world. Your nominations are made by the President of the United States.

Unlike other positions in the Cabinet, the Commissionerships of the SEC require a high degree of independence, not to get caught up in the day-to-day machinations of political agendas. That is not to say that you are unmindful of them, but just to be careful not to be drawn into the vortex of all of that, particularly in these days. I think it has always been true, but particularly now. And so, I would just say a word of caution as you begin this journey of serving in a very distinguished and important post in Washington, that you keep that in mind, if you could, during your tenure.

With that, Mr. Chairman, I look forward to the testimony of our witnesses, and congratulations to both of you, and your families as well. This is a very exciting time for you.

Chairman SARBANES. Very good. Thank you, Senator Dodd.

I say to the nominees, it is the practice of this Committee to swear in nominees at the outset of their hearing. So, I ask you to stand and take the oath.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Ms. GLASSMAN. I do.

Mr. CAMPOS. I do.

Chairman SARBANES. Do you agree to appear and testify before any duly-constituted committee of the U.S. Senate?

Mr. CAMPOS. I do.

Ms. GLASSMAN. I do.

Chairman SARBANES. Thank you very much.

Ms. Glassman, why don't we hear from you first, and then we will hear from Mr. Campos, and then we will go to questions.

I will say to my colleagues and to the nominees, there is a vote scheduled at 10:45 a.m. So, that we will move as expeditiously as we can. But my guess is that we will probably have to recess for the vote and then come back.

But we will proceed apace here and see how things unfold.

Ms. Glassman.

**STATEMENT OF CYNTHIA A. GLASSMAN, OF VIRGINIA  
TO BE A MEMBER OF THE  
U.S. SECURITIES AND EXCHANGE COMMISSION**

Ms. GLASSMAN. Thank you, Chairman Sarbanes and the distinguished Members of this Committee.

I am deeply honored to appear before you today to seek your approval of my nomination by President Bush to serve as a member of the Securities and Exchange Commission. If confirmed by the Senate, I look forward to continuing to fulfill the responsibilities of a SEC Commissioner along with my new colleagues.

I am a Ph.D. economist with 30 years of experience analyzing financial services regulatory policy issues in the public and private sectors. I have worked at the Federal Reserve, two small consulting firms, a large accounting firm and, for the past 6 months, the SEC. Specific expertise that I bring to my responsibilities as a Commissioner includes risk management, competitive analysis, and financial reporting. I have also specialized in conducting analyses on the continuing relevance of a wide range of financial services regulations in a changed business environment.

As an economist, I believe very strongly in letting markets work. Nevertheless, there is an important role for regulatory oversight to ensure that competition is fair, and that information provided to customers is clear, accurate, and complete. Regulations should create the right incentives to accomplish their goal, should be based on a good understanding of how the business works, and should not result in unintended consequences, either for the regulated companies or for their customers. In the current environment, the need for strong regulatory oversight could not be more apparent.

When I was being considered for an appointment to the Commission last fall, I had identified several issues as important to the SEC's mission: Are the Depression-era rules under which the SEC operates still relevant? Is the regulatory process providing the right incentives, or is it resulting in unintended consequences? Is the securities market structure appropriate? Are investors receiving the information they need about domestic and global companies to make good investment decisions? Is investor education adequate for our complex financial markets?

Recent events have shown how critical these issues are. Almost 6 months into my recess appointment as SEC Commissioner, I am outraged at the financial fraud, misleading information, and investor losses that have come to light. Given the extraordinary events of the last year, the Commission's number one job right now is to restore investor confidence in our markets and market participants. There is no question that companies must be held accountable, and individuals need to be held responsible, for adhering to both the letter and the spirit of the Federal securities laws. But the SEC, in partnership with Congress, the Administration and the

States, must continue to be a driving force in assuring that we have the appropriate securities laws and rules and that we enforce them vigorously.

I began my career in the public sector with the Federal Reserve System, and I am proud to return to public service as a Commissioner of the SEC. My 6 months of hands-on experience as a Commissioner have increased my respect for the agency and its entire staff and my appreciation of the challenges the Commission faces.

Thank you, Mr. Chairman, Senator Gramm, and Members of this Committee for this opportunity. I would be happy to answer any questions that you have.

Chairman SARBANES. Thank you very much, Ms. Glassman.

Mr. Campos, we would be happy to hear from you.

**STATEMENT OF ROEL C. CAMPOS, OF TEXAS  
TO BE A MEMBER OF THE  
U.S. SECURITIES AND EXCHANGE COMMISSION**

Mr. CAMPOS. Thank you, Mr. Chairman.

Chairman Sarbanes, distinguished Members of this Committee, I cannot describe to you the sheer delight I feel today and the deep appreciation that I have for this opportunity to appear before you today. I am deeply honored to have been nominated to serve my country on the Securities and Exchange Commission.

With your indulgence, I will very briefly share some of my life's experiences and perspectives, and then provide a few observations about the unique challenges facing the SEC.

I am Mexican-American. My life's journey began in the small town of Harlingen, Texas, near the Mexican border in the southern tip of Texas. I was raised in a humble household, in which only Spanish was spoken. My father, who could not be here today, is 88 years old. Like many in his generation, my father had to drop out of school in the 6th grade to help on the family farm. Later, when his country needed him, my father volunteered and enlisted in the U.S. Army to serve in World War II. He was always proud that he volunteered and was not drafted. My father saw combat in Europe and was wounded in Germany and became partially disabled. During my childhood, my father often had three or four jobs at one time to make ends meet and to provide for our family. My brothers and I would often help my dad in doing construction or whatever extra job he had committed to do. He taught my brothers and sister that honest hard work was noble, that service to our country was honorable, and that education was the most valuable possession a person could have.

My dad had a simple version of the American Dream. He believed that hard work and sacrifice would produce better opportunities for his children and permit him to live with dignity in his old age. Like millions of Americans today, my dad today is retired and lives on his savings, Social Security, and pension benefits. The series of recent business scandals and the resulting crisis of confidence in our financial markets threatens the future of my father, as well as millions of retirees in America. In my hometown of Houston, Texas, I have seen neighbors, who had worked for years for a certain major company that has been the subject of investigation, suddenly and without warning, be without a job, without

meaningful severance, and with their retirement accounts wiped out. I worry, that inevitably, these corporate abuses may create a separate crisis of confidence and that the American public will come to question whether the American Dream has become an illusion. If I am confirmed, I pledged to work tirelessly with you and my colleagues at the SEC to restore the faith of the public in the integrity of our financial markets.

I have been blessed during my life to have had the opportunity to pursue higher education and to serve my country. As you know, apart from my military service, I was a Federal prosecutor in Los Angeles. I investigated, tried, and convicted Members of major criminal enterprises and sent them to jail. I am informed that if the Senate chooses to confirm me, I will be the first person to serve as an SEC Commissioner with a law enforcement background. If confirmed, I will bring my experience and accept the heavy responsibility to fairly and carefully judge and determine the appropriate enforcement action and sanctions in the many pending and future SEC investigations.

As you also know, I have spent about 16 years in private legal practice as a corporate transactions lawyer and as a corporate litigation and trial attorney. For the past few years, I have been an executive and part owner of a small private company. If confirmed, I will bring to the Commission my experience in having dealt with the challenges of building and operating a company in the private sector. One of the missions of the SEC that I will embrace if confirmed is to promote an environment in which small, entrepreneurial, and emerging companies can raise capital efficiently. As we all know, small and emerging companies will produce much of the Nation's future economic growth, creating a large share of tomorrow's new jobs and innovation, and such companies will help to validate the American Dream. Over the years, the SEC together with the able oversight of this Committee has earned universal respect and admiration. If confirmed, I promise to use all of my God-given abilities to uphold the SEC's legacy of exercising fair and tough-minded regulatory authority.

The Senate last week took a historic and courageous step in restoring the public's confidence in the financial markets by passing the Public Company Accounting Reform and Investor Protection Act of 2002. I, along with the rest of the Nation, are in your debt Chairman Sarbanes for the crucial role that you and this Committee played in bringing about this legislation. If I am honored by being confirmed, I look forward with great anticipation to working with you Mr. Chairman, with Senator Gramm, with the distinguished Members of this Committee, and with Chairman Pitt, and my fellow Commissioners, and the talented staff at the SEC. There is much work to be done. However, I believe that we can together succeed and ably discharge our sacred trust and our obligations to the American people.

Thank you for this opportunity to appear before you today. I will do my best with any questions that you may have.

Chairman SARBANES. Thank you very much, Mr. Campos.

We have been joined by Senator Corzine. Jon, do you have an opening statement that you would like to make?

# COMMENT OF SENATOR JON S. CORZINE

Senator CORZINE. No, other than to welcome the nominees and I appreciate the fact that we are moving rapidly with this.

Thank you.

Chairman SARBANES. Since there is this vote and I have to be here at the beginning and at the end as the Chairman, if there are colleagues of mine who, because of their schedule, feel they will not be able to return after the vote, I would be happy to yield to them now to try to get their questioning in because I know some will leave to go to the vote and will not be able to come back.

Senator DODD. I think we are okay. We have 25 minutes.

Chairman SARBANES. Very good. Let me ask, first of all, because I am prompted by a story that is in the paper today: SEC Union Workers Reach Accord On Work Rules.

"After 532 days of negotiations, the SEC and its union employees agreed to a contract that will allow workers to telecommute 2 days a week, among other provisions. The agreement still needs approval by the union Members and SEC Chairman Pitt addresses basic working conditions."

And it goes on to describe that. Of course, the fact that they have been at it for 532 days, a year and a half, is in itself not a very good comment. But I am hopeful that this agreement will be approved and the SEC will be able to get its labor/management relations back on track.

Now one of the issues that was not addressed in this agreement, but is very important, concerns pay. Earlier this year, Chairman Pitt distributed \$25 million in raises without union involvement, according to this article, which sparked a demonstration in front of the SEC's Washington headquarters. Union workers carried signs mocking the pay raises as a "Pitt-ance."

Our bill significantly increases the authorization for the SEC. It takes it up to \$776 million.

The Senate Appropriations Committee, the Subcommittee that deals with the SEC budget, has put in \$750 million in the budget for the year beginning October 1. And when we took it up, we said that there are three things that we thought the Commission really needed to do with this money.

One was pay parity in all respects, both salary and benefits. Two was upgrading the technical systems, the computers and so forth. Three—and this was something that Senator Dodd and Senator Corzine had been pushing—well, they had been pushing the whole thing strongly, but additional accountants and examiners. In other words, to boost up the staff.

I am just interested in how important you think an enhanced budget is for the SEC, how strongly you will fight for it? And on that, I make the observation, if the Chairman of the SEC Commissioners does not fight for the budget, I do not know who will. And how important you think this infusion of resources is to the ability of the SEC to do its job?

Why don't I go to you first, Ms. Glassman. You have been down there now about 6 months, I guess.

Ms. GLASSMAN. Right, I have been there 6 months, and I could not agree more that we need more money.

We desperately need more people. You mentioned the lawyers, the accountants. Don't forget the economists. We need more of those as well.

[Laughter.]

Chairman SARBANES. I apologize to the economists.

[Laughter.]

Mr. CAMPOS. Commissioners?

[Laughter.]

Ms. GLASSMAN. We need technology. We need vastly improved technology. And pay parity will go a long way to helping our retention efforts. Our retention is much worse than our sister agencies, the banking agencies. Part of the reason is, or probably most of the reason is, they are paid better than we are. Pay parity will bring us up to those levels.

The simple answer is, yes, we need the money. We will use it. You know the Chairman has a special study, apparently the first of its kind, to evaluate how we are currently using our resources. The results of that study will help us allocate the new resources appropriately and efficiently. But I know we need them.

Chairman SARBANES. The GAO actually, at our request, did a study on the pay parity issue and the turnover at the SEC. And the comparison with the other financial regulatory agencies is quite marked in terms of retention. Generally, the cause is perceived to be that they have the pay parity and the SEC does not.

Mr. Campos.

Mr. CAMPOS. Senator, you could not be more correct in pointing out that the resources are absolutely essential. The SEC and its people are dedicated, hard-working, but they need more resources. We need more people, enforcement, simple things like trial technology to be able to bring these enforcement actions, are desperately needed. More capable lawyers who can bring these complicated cases.

Keep in mind that trying a case that involves financial fraud is a very complicated endeavor. You need not just bodies, but people who have the experience, people who have the capability to present a case effectively and successfully in court and to obtain the correct results.

Parity, without question, has to happen, must happen, and is needed. And the staff at the SEC expects it, and I assume that is a given. The budget that has been thrown out is fair and every one of those dollars can be used well by the SEC.

Chairman SARBANES. Good. My time is expired.

Senator Enzi.

Senator ENZI. Thank you, Mr. Chairman.

Senator Dodd is the Chairman and I am the Ranking Member on the Securities Subcommittee of the Banking Committee. One of the things that we were looking at when we first got these jobs is doing a review of all of the securities laws, doing a complete review. I would be interested in both of your opinions on whether we should do that.

Ms. GLASSMAN. I will go first. The laws are 70 years old. And so, I think a review is warranted, although the environment being what it is right now, in terms of priorities, it may not be timely to do this right now.

But I do agree that it is important, and it ties in with something that Chairman Pitt has asked me to do, which is to oversee a review of all of our regulations, to make sure that they are efficient and effective in the current environment, given all the changes in the markets and technology.

I have started the process. We are beginning that review. One of the potential outcomes of the review is, on certain regulations, we will determine that there might be a need for legislative change.

So, I would look forward to working with the Committee, if you are doing a law review as we do our regulation review, to coordinate and get them both done together.

Senator ENZI. Thank you.

Mr. Campos, any comments?

Mr. CAMPOS. I agree generally, Senator Enzi. I believe that is a worthwhile endeavor. The laws are 70, 80 years old.

Nonetheless, the basic premise of the law for Federal securities regulation is material information disclosure. It is not merit-based, which some States still have. So the essence of the way our securities laws work still seems to me to be a fairly ingenious creation and allows it to be a live set of laws which, through rulemaking and through the various efforts that this Committee and the Congress have done, have allowed it to be very flexible and to keep up with the demands of technology and the changes in the economy.

Senator ENZI. Thank you.

Do either of you have a position on the existing Nasdaq exchange application?

Ms. GLASSMAN. The issues are extremely complex. Balancing the evolving market structure with the more traditional market structure is taking a lot of thoughtful review by the staff and ultimately, by the Commissioners. As I said, I think all of the market structure needs to be looked at in a comprehensive way. That application has to be part of that comprehensive framework.

Mr. CAMPOS. I believe it is a great testament that we are looking at fundamental changes that would work here. It is a very complex issue with many sides and many views. The SEC staff has been working very diligently on coming up with their positions and providing information back to this Committee and others who requested it. I have an open mind and I believe in general that the fundamental changes will be positive.

Senator ENZI. Thank you. I will yield the rest of my time.

Chairman SARBANES. Thank you.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

I want to commend the Chairman for all of his work on the bill that we just passed. It was so outstanding to have 97 of our colleagues vote for a bill that was crafted by the Chairman and Members of this Committee. That bill will be helpful in what you both will be doing.

I have a special interest in financial education along with several of my colleagues on this Committee. After your recess appointment, Ms. Glassman, in January, you have had several months to become familiar with the agency. As you know, the SEC works with public organizations to foster educational programs and provides neutral information about saving and investing. What is your evaluation of



the SEC's current efforts to educate the public about investing and what should be done to enhance these programs?

Ms. GLASSMAN. I share your interest in investor education. It is critical to making sure that investors make wise decisions. As an economist, I think it is important that markets have the information that is fair and clear, but also that the investors have the knowledge to understand that information. So as I said, investor education is critical.

Our investor education group is terrific. They are so enthusiastic and they are so good. Since I have been there, we have had our forums for corporate governance and accounting oversight. We have had an investor summit. Our investor education group has put on a program in Norfolk, along with the military, for specific help in investor education. We have wonderful brochures. We have a great website. We had a terrific scam. I do not know if you read about it, but it was a scam on the Internet in which people were told about this wonderful new investment and, if they clicked through, ultimately, it was one of those too-good-to-be-true investments, which of course it was. If they clicked through to the end, they got a notice that said, if you were willing to put your money in this, you have made a big mistake, essentially, and provided some information. So, as I said, I think our programs are good.

However, there is a lot more to do. I have seen the statistics on financial literacy in the high schools, and for adults, and they are abysmal. We really need more investor education in the schools, through the work place, wherever people will listen, especially for retirees because they are the ones who now have lump sums of money to put in our markets that have gotten more complex.

In my own small way, I have worked on this issue. I am on the board of a preschool and child care center for low-income families and I have helped with financial literacy programs there. I just think it is critical, and we all need to work together to improve it.

Senator AKAKA. Thank you for that response.

Mr. Campos, I will ask you the same question. What are your thoughts on the issue of financial education?

Mr. CAMPOS. I think it is extremely important, Senator.

We have a system in place here in America, the greatest marketplace in the world, the envy of the world. And yet, most Americans do not understand how stock prices work. They do not understand that they can lose money. Most Americans cannot read a financial statement. They do not understand what a balance statement is.

It is extremely important that our public gets educated. And in this way, more Americans will eventually be able to participate in the capital and the wealth creation that our system provides.

It is extremely difficult. I commend you for that goal. It is extremely difficult to execute it. There are so many different areas that have responsibility here. I would like to see something in the high schools that the SEC and other agencies could participate in in some way that is an appropriate use of the taxpayers' money.

But high school students need to know simple ABC's of finances. They need to know how to use credit cards. They need to know that they can run out of money in their checkbooks. Simple things like that are so crucial.

I agree with you. I feel strongly about that issue. If this Senate honors me by giving me the confirmation, that will be one of my areas of great interest at the SEC.

Senator AKAKA. Well, I thank you for your responses. I feel that having people understand how things work will play an important part in restoring public confidence in the financial markets. I commend you for it.

Mr. Chairman, my time is up. Thank you very much.

Chairman SARBANES. Thank you very much, Senator Akaka.

I would just note that this Committee has taken an active interest in financial education. We held a couple of hearings, including one with Chairman Pitt, Chairman Greenspan, and Secretary O'Neill. And Members of this Committee have been very active.

Senator Enzi, when he was in the State Senate in Wyoming, was instrumental in putting in place important provisions at the State level with respect to financial education. And he has sustained that interest here. Both Senator Akaka and Senator Corzine have taken a number of initiatives, and of course, Senator Dodd and Senator Allard and myself all remain interested.

So, we look forward to interacting with both of you. This is not a front-burner issue, so to speak. But in the total picture, it is quite important and it could make a significant difference.

The fact is we have a lot of financially illiterate people, but who have some money and they are caught up. They are being scammed, as it were, left and right. We need to work at addressing that.

Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman.

The Chairman made the statement that you will have additional resources coming your way, and that will be by way of dollars, primarily. I agree that you need to have additional resources. Have you given any thought on what you are going to do to focus your mission, how you are going to direct these additional resources in order to more clearly be able to accomplish the mission of the Securities and Exchange Commission?

Ms. GLASSMAN. At this point, I think we all have our own views. Assuming confirmation goes forward, we will have four new Commissioners.

Senator ALLARD. Would you like to share with me some of your views?

Ms. GLASSMAN. My personal views? The highest priority in the short term is more enforcement staff. We are really stretched to the limit. The enforcement people are stretched to the limit as are the accountants, in the current environment. So staffing is obviously critical. And pay parity. That is a given.

I also think we really need improved technology. If we had better technology, for example, to better prioritize our reviews of the filings, from the perspective of which are the ones that are most likely to be a problem, that would free up resources and allow us to leverage better what we have. So improved technology is very important.

Regarding the specific systems, I am not a technology expert, but I know there are a number of areas where our technology is pretty

obsolete and we really do need more state of the art technologies. That would be one of my highest priorities.

Senator ALLARD. Mr. Campos.

Mr. CAMPOS. Senator, I believe that, as all of the Members have mentioned in their remarks, the lack of public confidence issue is so large right now. The swiftest way to promote that is through effective enforcement.

To use a very simple analogy which is not perfectly appropriate, but you need more cops on the beat, essentially, to do the work and to do it well. And I think that has great significance.

People fear there will be over-enforcement, I do not believe in those fears. The dedication, the integrity, the professionalism of the people who will be doing the enforcement is paramount. And the effort there to deal with all of the different problems arising right now, we need to work through that backlog.

So that I think is the foremost use. All of the divisions have very important missions and all of that would be something that would obviously be presented and carefully thought about at the Commission, with the full Commission.

Priorities are just like managing any limited resources in any company. We will make decisions and we will share them with this Committee and anyone else who is interested, and pursue it.

Senator ALLARD. Both of you have mentioned enforcement is an important part of where we need to focus our additional resources. What do you see as the biggest challenges to strengthening enforcement?

Ms. GLASSMAN. Right now it is pay and it is positions. We have a terrific staff. The enforcement group does a wonderful job. Our litigators are really strong. But because of our budget constraints, we have been losing the really important middle management layer. That is the layer that we have to recruit from the private sector because we need people with the experience.

So the challenge is the pay and the budget. I think people want to work for the SEC. I have met a huge number of the staff. I have tried to meet all of them over the 6 months that I have been there, and have found them to be really dedicated.

People on the outside also want to work for us, so if we can pay them and if we can get past our budget constraints, then I think we will get the people we need. But we really need good people.

Senator ALLARD. Now what is the problem there? Do we have people coming in and getting on the SEC staff and it is a career-builder? And then they see that there are other opportunities open to them in the corporate world because they are on the SEC staff? What is happening there?

Ms. GLASSMAN. I think, as in any Government agency, that is part of it. You get the Government experience and go to the private sector, although a number of people have come back. They have gone to the private sector and come back to the SEC. But I think some of it is just the pay. It is difficult, given the opportunity cost at the other agencies, as well as in the private sector. There is a limit to how long people can stay within our pay ranges and raise a family and pay for education and all of those other things that they have to look forward to with children.

Senator ALLARD. Mr. Chairman, thank you.

Chairman SARBANES. Thank you, Senator Allard.

Senator Dodd.

Senator DODD. Thank you, Mr. Chairman. Again, my congratulations to both of you.

A couple of things. First, I appreciate Senator Enzi bringing up the potential of some hearings on the Securities Subcommittee looking at all the rules. But I also take, Ms. Glassman, your points. I think right now we should just try and get the accounting reform bill done before we start having a large-scale revision. I do not want to frighten the markets if we are going to start rewriting the rules here altogether.

[Laughter.]

But it is something that we should look at and I appreciate both your comments on that.

Second, let me underscore something that Senator Sarbanes said, and that is about the reports this morning on the labor issues. I am not going to ask you to comment on this, but I will just make the statement myself and urge you, as two people who will be at the Commission, to see if we cannot resolve these labor issues.

This does not help in the midst of everything else, in light of your responses to Senator Allard's questions regarding the major issues down there with pay and longevity, retention, and so forth. Labor issues do not help that matter when you are trying to track good people if it looks as though this is a place where people do not get along between management and the workforce. So it is going to be critically important that those issues be resolved. And I do not know whose responsibility that solely is, but I suspect the Commissioners can play a role here. I would urge you to do so.

You both have remarkable backgrounds and extensive experience. And there has been lately this notion of what someone described, I cannot recall who said it, but guilt by occupation, in a sense, and I speak of the accounting profession, Ms. Glassman.

I have great respect for those people. I know there are others who feel this way. I certainly believe that Arthur Andersen should have been brought on the carpet. I am not sure 92,000 people should have lost their jobs worldwide. And I am waiting for someone at Enron to get a parking ticket. I hope they do in all of this.

But I would like you to comment about the accounting profession. What needs to be done? It has been a little disconcerting for those of us up here who helped craft this legislation that we now have before us, that so many leaders of the accounting profession were so adamantly opposed to this bill. Now many of them I think are coming around a bit. But it did not help, it seems, when we were trying to initiate some reforms in this area, to have an accounting profession be so adamantly opposed to what we were trying to do.

I wonder if you might just share with us some of your own thoughts on what you think needs to be done to get this critically important profession back on its feet again, in a sense, at least the perception of it. And I wonder if you might also just comment on what you think of this bill, the accounting reform bill. I am going to ask both of you to talk about it, to give us your general thoughts of what you think of this legislation.

Ms. GLASSMAN. I am very supportive of the legislation. I think it accomplishes a number of goals that I personally think are critical for the accounting industry.

Senator DODD. Can you speak up just a little? I apologize for the microphones.

Chairman SARBANES. Just pull the microphone close to you.

Ms. GLASSMAN. Is that better?

Senator DODD. Yes.

Chairman SARBANES. Even closer.

Ms. GLASSMAN. The accounting industry needs better oversight, both substantively and in terms of perception. This bill provides a lot of the elements of the oversight that are important. I think the oversight has to be independent of the profession, and the way the board is set up in the bill accomplishes that. The funding has to be independent. It cannot rely on the profession. And the bill does that as well.

The reviews have to have a dedicated staff so that it is not the accounting firms reviewing each other, at least not as the leaders of the reviews. I am not quite sure how the staffing is going to work on the reviews, but they need to be led by people who are not at the firms.

Those are some of the critical issues. Also, the reviews need to be timely. At least for the larger firms, the reviews need to be every year, which is in the bill.

Those things are critically important and I think it is unfortunate that the accounting firms are lobbying you. Hopefully, they will see that this is beneficial for them because the markets need to have confidence in the accounting firms, as well as in the companies themselves.

Senator DODD. Exactly. Well, what needs to be done by the firms themselves, just the internal structuring? Is there something going on in the structure of accounting firms that is creating this kind of problem that is giving the public this perception that seal that you guys give all the time that we have relied on for so many years is now raising doubts about whether or not that seal is a good seal?

Ms. GLASSMAN. The firms themselves have to look at the way they compensate people, how they incent people, and to make sure that they are not creating conflicts within their own partnership.

Senator DODD. Someone said to me that a lot of the problems arose here when this consulting function became the leader rather than the audit function. And the divisions within these businesses between the auditing/consulting function raised an awful lot of the problems that we have seen in the last few months. What do you think of that opinion?

Ms. GLASSMAN. There appears to be some truth to that. However, there are some good reasons to have certain consulting functions at the accounting firms because of the specific expertise that they bring. I am not an accountant. I am an economist.

Senator DODD. I know that.

Ms. GLASSMAN. And so, I never actually participated in an audit. There are some areas of expertise that the consulting or advisory functions bring to the audit. There are some that are not critical and may cause some conflicts. I think it is important for the firms

and the oversight board to sort those out and create the right incentives, both internally and externally.

Senator DODD. Mr. Campos, quick answer on the bill. What do you think of the bill?

Mr. CAMPOS. I think that the bill is a tremendous piece of work. It is almost revolutionary to get this enacted at this particular time. It does exactly what Commissioner Glassman is referring to. It creates an oversight board. It provides crucially a requirement of independence.

I believe that the consulting that is prohibited is right on the money. If the audit function requires expertise, then, ultimately, the audit function will charge more for its services. And its services are crucial for confidence in financial statements.

So it is worth more money. That is the simple fact. And just an observation: I think anybody who is in business has difficulty changing. This essentially is tough love in terms of this legislation. No one is against accountants. But they serve a very unique function under our system. This bill will require firms to do business differently. But they do not have to eliminate consulting. They just cannot do it for the same company they are auditing.

Senator DODD. Thank you both.

Thank you, Mr. Chairman.

Chairman SARBANES. Thank you, Senator Dodd.

Senator Gramm.

#### STATEMENT OF SENATOR PHIL GRAMM

Senator GRAMM. Mr. Chairman, thank you very much.

I was down at Judiciary to introduce Priscilla Owen. By the way, I thought every committee of the Congress introduced the visiting Members first and let them speak. We do it right. Judiciary lets those on the committee speak. I hoped to be back up here quickly.

Chairman SARBANES. They probably saw it as an opportunity to lecture you this morning.

Senator GRAMM. Yes. Well, it was like many lectures I have heard. People used to say that they were worried about college professors indoctrinating. And I used to say, if they are no better at indoctrinating than they are at teaching, they are not dangerous.

[Laughter.]

I have had an opportunity to visit with both of our nominees. I think that they are both excellent people. I intend to support them. I would just like to give a little lecture of my own.

[Laughter.]

And that is that you are going into an independent agency at a time when there is going to be tremendous criticism. We probably have a Chairman who is as qualified as anyone who has ever been Chairman and who has probably the most distinguished background of anyone who has ever been Chairman. And who was confirmed unanimously. And now people line up to denounce him, I guess because by doing so, you get your name in the paper. And if you want to be quoted, you have to be more extreme than the last guy who made the statement.

But in any case, my concern, and I just leave it with you since I have already decided to vote for both of you, is that with all of this criticism coming from outside the Commission, there is going

to be this real tendency to have divisions in the Commission and to try to show those divisions publicly, as people take this criticism personally.

There is something to be said in working in a collegial body. We have a Senator here, Senator Byrd, who tries to remind us of our responsibility to the institution. We do not always listen to the lectures, but they are always right. I just want to encourage both of you as Members of the Commission to realize it is not personal. Many of these criticisms have no purpose other than promoting the ends of the criticizer.

In expressing and working for what you think is right within the Commission, I hope that both of you will do it in a constructive way. If there is ever been a time where we need a Commission that works together and that really proves that an independent agency can embody people from very different backgrounds with very different opinions and yet be effective, I think that time is now.

So, I want to commend both of you to basically realize, to explain to your children that you are really not as bad as they are going to read in the paper.

[Laughter.]

Then go on about your business doing a good job. Remember the old Lincoln adage. Everybody was criticizing Lincoln. He had the best response I have ever heard. He said that if I spent my time trying to defend myself against these criticisms, I would never get anything done. And in the end, if the critics prove right, having a league of angels swear I was right will make no difference. If you do a good job, in the end, people will note it and they will appreciate it.

Finally, let me just thank both of you for your willingness to serve. One of the things that I have always been impressed by in sitting on this Committee is I know there are people out there who think everybody has some kind of angle and that they are all doing this for some promotion of their own individual interest. I am continually struck by people who are willing to make great sacrifices to serve the greatest country in the history of the world. It is a country that deserves being served, and I appreciate both of you being willing to serve in this important agency at a very critical time.

And so, I am proud to support both of you, and I thank you, Mr. Chairman.

Chairman SARBANES. Thank you, Senator Gramm.

Ms. GLASSMAN. Thank you.

Chairman SARBANES. Senator Corzine.

Senator CORZINE. Thank you, Mr. Chairman.

Let me echo, as I am sure all my colleagues would, the sentiment that Senator Gramm reflects on service.

Chairman SARBANES. Senator Gramm will be leaving the Senate at the end of this year. As we get all these people in place, there will be a SEC there for quite a period of time that will reflect his input here.

Senator GRAMM. And then I will be able to become rich in this environment that you are going to create.

[Laughter.]

Senator CORZINE. Ms. Glassman, you are an economist. You made the point several times today. What do you think, and particularly connecting it with some of the remarks, or at least the thrust of the questions that Senator Akaka brought forward, about financial literacy in this country? How do you think the American investing public understands the footnoting of options, and whether they are able to derive the implied expense that might be there, or maybe some of us think should be clearly reflected? I would certainly like to hear your opinion on that as well.

But the important issue is do you think when you put together the financial literacy concerns that both of you have expressed and then look at the options questions, have we had a misallocation of capital as a function of how our income statements have been presented to the investing public?

Ms. GLASSMAN. The simple answer to your first question is I would be astonished if most Americans understood the footnotes in the financial statements. But the real question is on the question of options.

As an economist, I think stock options, do represent an expense to the shareholders. Clearly, they dilute the shareholders' interests. Therefore, it is important not only that shareholders understand the impact of that dilution on their interest, but also that they have the ability to vote on those options, at least to the extent that they are material. At the Commission, we have definitely been moving in that direction.

Whether options should be explicitly expensed or very clearly stated in the management discussion or upfront in the report, I believe is an accounting issue that is best left to FASB. But whatever the outcome, I think it is critical that options are clearly understood. The market is already recognizing this. The market now understands the importance of options.

Senator CORZINE. As an SEC Commissioner, you believe it should best be left with FASB?

Ms. GLASSMAN. The specific accounting treatment should be left with FASB. However, I think it is important that the information itself be pulled up out of the footnotes somehow, whether it is in the MD&A or explicitly expensed. A number of companies, as you know, are already expensing it. The problem, and the reason it is not a simple decision, is that the valuation of the options is very complex. Getting agreement on what makes sense in terms of valuing them is really the hard part.

Chairman SARBANES. I would point out to my colleagues that the second set of lights on the vote—there is a vote on—have gone off just now.

Jon, why don't you continue? It is my intention when you finish, if you are satisfied at that point, to adjourn the hearing instead of resuming. But I will come back if anyone wants to pursue it.

Senator CORZINE. I would love to hear the shorthand response to the allocation of capital that many economists and econometricians have spoken to that we have misallocated, potentially.

Ms. GLASSMAN. To the extent that investors in the market did not understand the impact of the options, and I believe that until relatively recently, most people did not understand the impact, then, clearly, resources have been misallocated.



Senator CORZINE. Mr. Campos, any comments on any of these issues?

Mr. CAMPOS. It is a complex issue. I think all who have studied and all academics right now would agree with Chairman Greenspan and Warren Buffett that options are compensation and need to be treated as such. Clearly, options dilute earnings. You would hope that sophisticated financial analysts would understand that and have been factoring that in, but clearly, the public hasn't.

The other issue that I am concerned about is if we go down this road, which I think is appropriate, and FASB should be allowed because they have done a lot of work on this issue, to finish up, if GAAP ends up essentially requiring expensing of options, when you have small companies that are not publicly traded, that are not publicly held, that essentially are start-ups, you have a huge difficulty of valuation of their options. And a lot of those companies' ability to attract talent has to do with those options. The American Dream, if you will, of creating a company and creating value. Those options are essential. And how do you value those options when you have only an idea to speak of at that particular point in time?

Senator CORZINE. Thank you.

Chairman SARBANES. Well, I want to thank the witnesses. Ms. Glassman, I have to ask you a question because it comes up in the press. Some assert this Commissioner came out of the accounting business, that that is a troubled area right now that needs tight oversight and supervision. They have raised questions about people taking over the Commissionership coming out of that background. What would your response be to that?

Ms. GLASSMAN. I have had a 30 year career. The last five were at an accounting firm as an economist. That experience has been very helpful in my understanding of how the accounting industry and the accounting profession do their jobs and how they are organized. But I do not work for them any more. For the past 6 months, I have worked for the American public. And if confirmed, I will continue to work for the American public.

Chairman SARBANES. Thank you very much. I thank both of our nominees. It has been a very good hearing, and the hearing stands adjourned.

Mr. CAMPOS. Thank you.

Ms. GLASSMAN. Thank you.

[Whereupon, at 11:16 a.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of nominees, and response to written questions follow:]

**PREPARED STATEMENT OF CYNTHIA A. GLASSMAN**  
MEMBER-DESIGNATE, U.S. SECURITIES AND EXCHANGE COMMISSION

JULY 23, 2002

Chairman Sarbanes, Senator Gramm, and distinguished Members of the Committee, I am deeply honored to appear before you today to seek your approval of my nomination by President Bush to serve as a Member of the Securities and Exchange Commission. If confirmed by the Senate, I look forward to continuing to fulfill the responsibilities of an SEC Commissioner along with my new colleagues.

Accompanying me today on this important occasion are my husband, Dr. Leonard Glassman, my son and his wife, Kenneth and Dr. Melissa Glassman, and my mother-in-law, Mary Glassman.

I am a PhD economist with 30 years of experience analyzing financial services regulatory policy issues in the public and private sectors. I have worked at the Federal Reserve, two small consulting firms, a large accounting firm, and for the past 6 months, the SEC. Specific expertise that I bring to my responsibilities as a Commissioner includes risk management, competitive analysis, and financial reporting. I have also specialized in conducting analyses on the continuing relevance of a wide range of financial services regulations in a changed business environment.

As an economist, I believe strongly in letting markets work. Nevertheless, there is an important role for regulatory oversight to ensure that competition is fair, and that information provided to customers is clear, accurate, and complete. Regulations should create the right incentives to accomplish their goal, should be based on a good understanding of how the business works, and should not result in unintended consequences, either for regulated companies or for their customers. In the current environment, the need for strong regulatory oversight could not be more apparent.

When I was being considered for an appointment to the Commission last fall, I had identified several issues as important to the SEC's mission:

- Are the Depression-era rules under which the SEC operates still relevant?
- Is the regulatory process providing the right incentives, or is it resulting in unintended consequences?
- Is the securities market structure appropriate?
- Are investors receiving the information they need about domestic and global companies to make good investment decisions?
- Is investor education adequate for our complex financial markets?

Recent events have shown how critical these issues are. Almost 6 months into my recess appointment as SEC Commissioner, I am outraged at the financial fraud, misleading information, and investor losses that have come to light. Given the extraordinary events of the last year, the Commission's number one job right now is to restore investor confidence in our markets and market participants. There is no question that companies must be held accountable, and individuals need to be held responsible, for adhering to both the letter and the spirit of the Federal securities laws. But the SEC, in partnership with the Congress, the Administration, and the States, must continue to be a driving force in assuring that we have the appropriate securities laws and rules and that we enforce them vigorously.

I began my career in the public sector with the Federal Reserve System, and I am proud to return to public service as a Commissioner of the SEC. My 6 months of hands-on experience as a Commissioner have only increased my respect for the agency and its entire staff and my appreciation of the challenges the Commission faces.

Thank you, Mr. Chairman, Senator Gramm, and Members of this Committee for this opportunity. I would be happy to answer any questions you may have.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES
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**Name:**

(Last) Glassman

(First) Cynthia

(Other) Aaron

**Position to which nominated:** SEC Commissioner**Date of nomination:** 12/20/2001**Date of birth:**

(Day) (Month) (Year) 16/4/1947

**Place of birth:**

Brooklyn, NY

**Marital Status:** Married**Full name of spouse:** Leonard Mark Glassman**Name and ages of children:**

Kenneth Eli Glassman, age 29

**Education:**

Institution	Dates attended	Degrees received	Dates of degrees
Wellesley College	1963-67	B.A. in Economics	1967
University of Pennsylvania	1967-75	M.A. in Economics	1971
		Ph.D. in Economics	1975

**Honors****and awards:**

List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Wellesley College, (Pendleton Scholar)  
NDEA Fellowship 1967-1970

**Memberships:** List below all memberships and offices held in professional, fraternal, business, scholarly civic, charitable and other organizations.

Organization	Office held (if any)	Dates
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See Attachment 1

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

See Attachment 2

**Government  
experience:**

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Employment: Federal Reserve Bank of Philadelphia, Board of Governors of the Federal Reserve System, detail to the US Department of Treasury

Advisory/Consultative: FDIC, OCC, Financial Management Service (FMS) of the US Department of Treasury, SBA

**Published**

**Writings:**

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

See Attachment 3

**Political**

**Affiliations**

**and activities:**

List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member, RNC President's Club since 1992

Dole for President Campaign: Member of Financial Markets and Institutions Policy Group (1995 to 1996)

**Political**

**Contributions:** Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

See Attachment 4

**Qualifications:** State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See Attachment 5

**Future employment relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Except for my pension and 401(k) plans as described in the next section, I severed all such connections with my former employer, Ernst & Young LLP, upon my recess appointment to the Commission.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I have no such plans.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes

**Potential conflicts  
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

I vested in the Ernst & Young LLP defined benefit pension plan on January 16, 2002. The pension benefit is funded through a trust that is independent of Ernst & Young, and is independently maintained and managed. At some future date I will receive annual annuity benefits. Because I vested in the plan so recently, I will not learn specific information about these benefits until March 2002.

I also hold Fidelity Growth Company Fund, Fidelity Overseas Fund, Janus Overseas Fund, and Spartan U.S. Equity Index Fund in a 401(k) plan sponsored by Ernst & Young. I will roll the holdings in these plans into an individual retirement account as soon as I have all of the necessary documents.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

See attachments 6, 7, 8 and 9. In addition, my son is a Vice President of Goldman Sachs.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

I have conducted research studies on public policy issues for several trade associations, including the Financial Services Roundtable (and its predecessor organizations – The Bankers Roundtable and the Association of Bank Holding Companies), the American Insurance Association, the Financial Services Coordinating Council, The New York Bankers Association, The American Financial Services Association, the Conference of State Bank Supervisors, and the Support Group for Modern national Banking.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

As required by 18 U.S.C. section 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

In order to avoid potential conflicts of interest under section 208, I have divested my equity holdings in all publicly-traded companies. My spouse has also divested his equity holdings, with the exception of NCRIC Group Inc., which he will continue to hold. For as long as my spouse holds NCRIC Group Inc., I will not participate personally and substantially in any particular matters that will have a direct and predictable effect on the financial interests of this entity, unless I first obtain a written waiver or qualify for a regulatory exemption.

I also understand that the interests in registered investment companies listed in Attachment 7 present a potential conflict of interest under section 208(a). I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on my or my spouse's financial interests in these investment companies, unless I first obtain a written waiver or qualify for a regulatory exemption. Under the rules restricting the securities transactions and holdings of members of the Securities and Exchange Commission, 17 C.F.R. 200.735-5(k), I and my spouse may only hold registered investment companies that are diversified within the definition of section 5(b)(1) of the Investment Company Act of 1940, 15 U.S.C. 80a-5(b)(1). All of the holdings listed in Attachment 7 fall within this definition.

I also understand that the holdings in debt securities listed in Attachment 8 present a potential conflict of interest under section 208(a), although it has been determined that it is not necessary at this time for me to divest these interests. With respect to these debt securities, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the willingness or ability of the issuer to fulfill its obligations or on the market value of the bond, unless I first obtain a written waiver or qualify for a regulatory exemption.



My spouse and I will continue to hold our joint interests in Capital Housing Partners and CNL Income Fund, private real estate limited partnerships. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Capital Housing Partners and CNL Income Fund, unless I first obtain a written waiver or qualify for a regulatory exemption. The SEC's Ethics Counsel has advised me that as long as these entities are not publicly traded they are unlikely to pose a potential conflict of interest.

I have resigned from my position as principal with Ernst & Young LLP ("the firm"). Pursuant to 5 C.F.R. 2635.502, for one year following my resignation from the firm, I will not participate in any matter involving specific parties in which the firm is a party or represents a party, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the willingness or ability of the Ernst & Young defined benefit pension plan to fulfill its obligations under my pension plan, unless I first obtain a written waiver or qualify for a regulatory exemption. Certain of the holdings in Attachment 7 are held in 401(k) plans sponsored by the firm. I will roll the holdings in these plans into an individual retirement account.

I have resigned my position with the Institute of Banking and Finance of Lebanese-American University, Byblos campus. For one year following my appointment, I will not participate in any particular matter involving specific parties in which the Institute of Banking and Finance of Lebanese-American University, Byblos campus is or represents a party, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E.

I will remain on the board of directors of Hopkins House: A Center for Children & Their Families, for which I do not receive any compensation. I will also continue as a member of its budget committee. Pursuant to 18 U.S.C. 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of this organization, unless I first obtain a written waiver or qualify for a regulatory exemption.

My spouse is a partner with Washington Radiology Associates, P.C. Pursuant to 18 U.S.C. 208, I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of this organization, unless I first obtain a written waiver or qualify for a regulatory exemption.

My spouse will continue to participate in his TIAA-CREF annuity. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the willingness or ability of TIAA-CREF to fulfill its obligations to my spouse under the terms of this plan, unless I first obtain a written waiver or qualify for a regulatory exemption.

As Commissioner, to the extent my disqualification is not required by 18 U.S.C. 208, I nevertheless will not participate in any particular matter involving specific parties which is likely to have a direct and predictable effect on the financial interests of a member of my household, where it is determined that the circumstances would cause a reasonable person with knowledge of the relevant facts to question my impartiality in the matter, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E. In addition, for one year following my appointment, I will not participate in any particular matter involving specific parties in which to my knowledge a person for whom I have provided services as a principal with Ernst & Young LLP within the last year, listed in Attachment 9, is or represents a party, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E.

My son is a Vice President of Goldman Sachs, a regulated securities firm. As long as my son is employed by Goldman Sachs, I will not participate in any matter involving specific parties in which Goldman Sachs is a party or represents a party, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E.

Finally, I will provide the appropriate SEC officials with a list of those interests I have retained (or may acquire) in order to support my efforts to avoid conflicts of interest. In addition, I will recuse myself from participation on a case-by-case basis in any particular matter in which, in my judgment, it is desirable for me to do so in order to avoid the possible appearance of impropriety, despite the lack of any actual conflicts.

**Civil, criminal and  
investigatory  
actions:**

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

## Attachment 1 – Memberships

Women in Housing and Finance: Member (over 15 years to present); Board Member (1987-1992); Treasurer (1989-1990)

Federal Reserve Board Credit Union: Member (over 20 years to present); Board Member (1983-1987)

National Economists Club: Member (over 10 years to present); Vice President for Membership (1992-1993); Board Member (1993 to 1996)

Colonnade Condominium: Board Member and Treasurer (1990-1993); Board Member (1993-1994)

Commission on Savings and Investment in America: Board Member and Treasurer (1994 to 1996)

American Bankers Association, *Retail Banking Digest*: Editorial Advisory Board Member (1994 to 1996)

Dole for President Campaign: Member of Financial Markets and Institutions Policy Group (1995 to 1996)

Porto Vecchio Condominium: Chairman, Budget Committee (1995 to 1996); Board Member and Treasurer (1996 to 1999)

National Association of Business Economists: Member (over 10 years to present); Financial Roundtable: Publicity Director (1997 to 1998); Secretary-Treasurer (1998 to 1999)

*E-Money: The Journal of Electronic Commerce for the Financial Services Industry*: Editorial Advisory Board Member (1998 to 1999)

Bank Administration Institute Certified Risk Professional Certification Program, Executive Advisory Committee Member (1999 to 2001)

Republican National Committee: Member of the President's Club (1992 to present)

Institute of Banking and Finance of Lebanese-American University, Byblos Campus: Advisory Committee Member (1998 to resignation in January 2002)

Hopkins House – A Center for Children and Their Families, Member Budget Committee (2000 to present); Board Member (2001 to present)

American Economics Association – Member (over 20 years to present)

American Bar Association – Associate Member (over 10 years to present)

Exchequer Club - Member (5 years to present)

Belle Haven Country Club – Limited Member (1 year to present)

## Attachment 2 – Employment History

2002-Present	Securities and Exchange Commission, Washington, DC Commissioner
1997 - 2002	Ernst & Young LLP, Washington, DC Principal (1999-present) Director, Commercial Bank Risk Management (1997 to 1999)
1988 - 1997	Furash & Company, Washington, DC Managing Director (1993 to 1997) Director of Research (1988-1993)
1986 - 1988	Economists Incorporated, Washington, DC Senior Economist
1977 - 1986	Board of Governors of the Federal Reserve System, Washington, DC Chief, Financial Reports Section (1982-1986) Economist, Capital Markets Section (1981-1982) Senior Economist, Office of Capital Markets Legislation, U.S. Department of the Treasury (on loan from the FRB) (1980-1981) Special Assistant to Governor Henry C. Wallich (1979-1980) Economist, Financial Structure Section (1977-1979)
1974 - 1977	Economics Supervisor, University of Cambridge, England
1971 - 1974	Federal Reserve Bank of Philadelphia, Philadelphia, PA Senior Economist, Banking Structure Group (1974) Economist (1972-1974) Research Associate (1971-1972)

Attachment 3

#### PUBLICATIONS AND PRESENTATIONS

"Banking Markets in Pennsylvania," in Changing Pennsylvania's Branch Laws: An Economic Analysis, Federal Reserve Bank of Philadelphia, 1973, and presented at the Western Economic Association Conference, Las Vegas, June 1974.

"The Effects of Mergers on Price and Service Performance of Pennsylvania Banks," Ph.D. Dissertation, University of Pennsylvania, 1975.

"Pennsylvania Bank Merger Survey: Summary of Results," Research Paper, Federal Reserve Bank of Philadelphia, September 1975.

"Bank Holding Companies and Concentration of Banking and Financial Resources," The Bank Holding Company Movement to 1978: A Compendium, Washington, D.C.: Board of Governors of the Federal Reserve System, September 1978, (with Robert A. Eisenbeis).

"Owner vs. Manager Control Effects on Bank Profit Rates, Growth, and Costs," Proceedings of a Conference on Bank Structure and Competition, Chicago: Federal Reserve Bank of Chicago, April 1978, (with Stephen A. Rhoades).

"Owner vs. Manager Control Effects on Bank Performance," Review of Economics and Statistics, Vol. 62, No. 2, May 1980, (with Stephen A. Rhoades).

"Management of Commercial Banks," Discussant, Conference of the Southern Economic Association, Washington, D.C., November 1980.

"The Impact of Banks' Statewide Economic Power on Their Political Power: An Empirical Analysis," Atlantic Economic Journal, Vol. 9, No. 2, July 1981.

"Survey of Commercial Bank Lending to Small Business," in Studies of Small Business Finance, Report of the Interagency Task Force on Small Business Finance, February 1982, (with Peter L. Struck).

"Analysis and Background of the Survey of Commercial Bank Lending to Small Business," presented at the Second Small Business Research Conference, Bentley College, Waltham, Massachusetts, March 11, 1982, (with Peter L. Struck).

"Line of Commerce: Evidence from the Banking Side," Economic Review, Federal Reserve Bank of Atlanta, April 1982.

"The Impact of the Bank Regulatory Environment on Small Business Financing," Proceedings of a Conference on Bank Structure and Competition, Chicago: Federal Reserve Bank of Chicago, April 1982.

"From Theory to Practice: Small Business Finance," presented at The Financial System Conference, Federal Reserve Bank of Minneapolis, June 15, 1982.

"Commercial Banking and the Small Business Sector: Observations from a Survey," The Journal of Commercial Bank Lending, Vol. 65, No. 6, February 1983, (with Peter L. Struck).

"Data Sources Used in Constructing the U.S. Monetary Aggregates," presented at the XXI Meeting of Technicians of Central Banks of The American Continent, Montevideo, Uruguay, October 25, 1984, and published in Monetaria, Vol. 8, No. 3, July-September 1985.

"Required Reporting to the Federal Banking Agencies by U.S. Commercial Banks," ABA Bank Compliance, Vol. 7, No. 5, Summer 1986.

"Measuring and Managing Small Business Risk" presented at Small Business Banking '86, a Symposium sponsored by The Bank Administration Institute, Chicago, October 1986.

"Measuring and Managing Small Business Risks," Bank Administration, Vol. 58, No. 1, January 1987.

"U.S. Financial Institutions in a World Market," in Regulating the New Financial Services Industry, Washington, D.C.: Center for National Policy Press, 1988.

"Global Trends in the Financial Services Environment: Preparing for the 1990s," presented at Management of Financial Services: Strategy and Implementation, Columbia University Executive Program, Harriman House, New York, April 25, 1989.

"International Competitiveness of U.S. Banks: The Implications of EC 1992," presented at The Garn Institute of Finance program, Key Largo, Florida, November 1989.

"International Banking Competitiveness — Why It Matters," A Report of the Economic Advisory Committee of the American Bankers Association, March 1990, (Contributor).

"Evolution of the Financial Services Industry Structure," presented at the Conference of State Bank Supervisors' 89th Annual Convention, San Francisco, California, April 1990.

"Life After Regulatory Blitz: A Survival Guide to Coping and Toughing It Out," Spotlight on Banking & Finance, Supplement of The Greater Washington Board of Trade News, May 1990.

"Limits at Home Hinder U.S. Banks Abroad," American Banker, July 26, 1990, p. 10A.

"U.S. Banks' International Competitiveness," presented at the Federal Bar Executive Council luncheon, Washington, D.C., October 16, 1990.

"Managing Risk in Perilous Times," Practical Banker, December 17, 1990, (with Frederick A. White).

"The European Economic Community and Its Impact on Banking," presented at the D.C. Bar Association's Corporation, Finance and Securities Law Section luncheon, Washington, D.C., January 15, 1991.

"Interstate Branching — The Economic Environment," published by the Conference of State Bank Supervisors, March 1991.

"An Untraditional Way to Manage Risk," Banking Week, March 25, 1991, (with Frederick A. White).

"Why Banks Enter New Geographic Markets," presentation to the Bank Competition Working Group, Department of Justice, December 12, 1991.

"The Impact of the FDICIA Safety and Soundness Provisions on Banks," Panelist and Moderator, Women in Housing and Finance Symposium on The Federal Deposit Insurance Corporation Improvement Act of 1991, January 15, 1992.

"Bank Law's Message Is to Protect Capital at All Costs," Banking Week, February 3, 1992.

"The Eroding Banking Franchise — What's Left?" presented at the BancA Third Annual Executive Conference, Dallas, Texas, February 24, 1992.

"Good Reasons to Expand into New Markets," Banking Week, May 4, 1992.

"Traits that Make a Market Worth the Cost of Entry," Banking Week, May 11, 1992.

"Regulation of Nonbank Financial Institutions in the EC and New Financial Services Directives," Discussant at the International Monetary Fund Seminar on Current Legal Issues Affecting Central Banks, June 15, 1992.

"Merger Plans Need Careful Antitrust Analysis," American Banker, June 24, 1992.

"Interstate Bank Branching: Are Continuing Restrictions Justified?" paper prepared on behalf of the Association of Bank Holding Companies, June 1992.

"Bank Consolidation: A Practitioner's Point of View," presented at the National Association of Business Economists South Regional Roundtable, Atlanta, Georgia, July 13, 1992.

"New Critique Hits Recent Studies Critical of Interstate Banking," Banking Policy Report, Vol. 11, No. 14, July 20, 1992.

"Recent Regulatory Initiatives," Loan-by-Loan Workshop for Community Banks, sponsored by The FERC Report, September 11, 1992.

"Small Business Banking — Reinventing for Profitability," PowerView, September 1992.

"What Makes a Market Worth the Cost of Entry," Sheshunoff High Performance Banking, December 1992.

"Prompt Corrective Action: What It Is and How to Prepare for It," November 1992 and published in ABA Bank Compliance, January/Winter 1993 issue (with Alston & Bird).

"The Weakening Role of Banks in Financing Small Business," a study prepared for the Banking Research Fund of the Association of Reserve City Bankers (renamed The Bankers Roundtable), June 1993 and presented at the Association of Reserve City Bankers Annual Meeting, April 2, 1993.

"Small Business Lending: Risks and Rewards," presented at the Savings and Community Bankers of America 1993 Winter Management Conference, New York City, New York, December 6, 1993.

"Banks Face Serious Challenge in Preserving Key Lending Franchise," Banking Policy Report, Vol. 12, No. 23, December 6, 1993.

"The Erosion of Banks' Role in Financing Small Business," Bankers Magazine, January/February 1994.

"On the Decision to Keep a Bank Charter," presented to the Market Share Task Force of the American Bankers Association, Washington, D.C., March 4, 1994.

"Strengthening Your Small Business Lending Franchise," presented at the Bank Administration Institute Foundation National Community Bank Loan Administration Conference, Tampa, Florida, March 8, 1994.

"Community Development Initiatives," Panel Moderator, Women in Housing and Finance Symposium on Fair Lending & Community Reinvestment, Washington, D.C., April 19, 1994.

"Current Issues in Bank Merger Antitrust Evaluation Policy," presented to the Economic Advisory Committee of the American Bankers Association, Washington, D.C., April 21, 1994.

"Future of the Payments System," presented to the Economic Advisory Committee of the American Bankers Association, Washington, D.C., April 21, 1994.

"The Weakening Role of Banks in Financing Small Business," presented at the Federal Reserve Bank of Chicago 30th Annual Conference on Bank Structure and Competition, Chicago, Illinois, May 13, 1994.

"Nonbank Competitive Trends," presented at the 1994 American Bankers Association National Small Business Banking Conference, San Antonio, Texas, May 16, 1994.

Testimony on Bank Fee Study before the State of New York Banking Department, New York, June 22, 1994.

"Marketing to Small Business: Beating the New Competition," presented at the Bank Administration Institute Foundation's Conference on Capturing the Small Business Market, Chicago, Illinois, June 28, 1994.

Banking's Role In Tomorrow's Payments System, a study prepared for The Bankers Roundtable, June 1994, and presented at The Bankers Roundtable Annual Meeting, April 1994, (Project Director).

"Preserving Banks' Stake in the Payments System," Bank Management, July/August 1994, (with Edward L. Neumann).

"When to Close a Branch," Retail Banking Digest, July/August 1994, (with William F. Spinard).

"The Impact of Interstate Branching on Consumer Lenders," presented at the American Financial Services Association Annual Meeting, Vancouver, British Columbia, October 17, 1994.

"Evaluating Compliance from a Risk Management Perspective," Retail Banking Digest, September/October 1994, (with William F. Spinard).

"Securitization: The Benefits and Risks to Banks' Franchise," presented at the Strategic Research Institute Small Business Banking Conference, New York, December 2, 1994.

"Relevant Product and Geographic Markets in Bank Mergers: A Comparison of the Methodologies Used by the Justice Department and the Federal Reserve Board," prepared jointly with a working group of attorneys in antitrust, bank mergers, and acquisitions, published by The Bureau of National Affairs, Inc., December 1994.



"Global Funding/Local Lending: The Market Funded Consumer Lending Industry," a study prepared for the American Financial Services Association and presented at the American Financial Services Association Board Meeting, California, February 20, 1995.

"Foreign Banks in the U.S.: Strategic Issues," presented to the Executive Council, Banking Law Committee of the Federal Bar Association, Washington, D.C., March 14, 1995.

"Case Study of the Banking Industry," prepared for The Industry Benchmarking Project of the Technology Administration Office of Technology Policy, U.S. Department of Commerce, April 14, 1995.

"The Future of Commercial Banking," presented to Robert Morris Associates, Pennsylvania, April 19, 1995.

"The New Tool Set: Assessing Innovations in Banking — Securitization of Small Business Loans," presented at the Federal Reserve Bank of Chicago 31st Annual Conference on Bank Structure and Competition, Chicago, Illinois, May 11, 1995.

"Developments in Retail Payments," presented to The Bankers Roundtable Lawyers Council, Washington, D.C., May 18, 1995.

"Using Compliance as a Competitive Weapon," presented at the 30th Annual Banking Law Institute Conference, Washington, D.C., May 23, 1995.

"Effective Use of Research in Government Relations," presented at the American Bankers Association 1995 Professional Staff Conference, Washington, D.C., September 29, 1995.

"Lending Where Others Have Failed," Panel Moderator, American Financial Services Association Annual Meeting, Washington, D.C., October 17, 1995.

"Industry Structure: Erosion of Banks' Franchise," Journal of Retail Banking Services, Vol. 17, No. 3, Autumn 1995.

"Industry Issues," Panel Moderator, Conference on Antitrust & Banking: Emerging Issues in the New Banking Environment, Office of the Comptroller of the Currency, Washington, D.C., November 16, 1995.

"Are Bank Mergers Good for Consumers?" Panelist, Conference on The Consumer in the Financial Services Revolution: Challenges and Opportunities, Consumer Federation of America, Washington, D.C., November 30, 1995.

"Industry Role: Who Should Serve the Financial Needs of 'Underserved' Communities?" Journal of Retail Banking Services, Vol. 17, No. 4, Winter 1995.

"Ordering the Confusion" and "Big Picture Issues," presented to the American Bankers Association Payments System Task Force, Washington, D.C., February 15, 1996.

"Impact of Bank Consolidation," Panelist, National Association of Urban Bankers Eastern Regional Conference, Association of Urban Bankers Foundation, Washington, D.C., April 5, 1996.

"Bank Lending to Small Business," Testimony before the U.S. Congress. House. Committee on Small Business. 104<sup>th</sup> Cong., 2d sess., May 1, 1996.

"Industry Structure: Bank's Competition Is Product-by-Product," Journal of Retail Banking Services, Vol. 18, No. 1, Spring 1996.

"The Shift (Finally!) from Paper to Electronics," presented at the ABA/CLE: Critical and Emerging Issues for Banks and Thrifts, Washington, D.C., May 9, 1996.

"Cutting Edge Issues in Network Industries," presented to the American Bar Association, Section of Antitrust Law, Washington, D.C., May 24, 1996, (with James R. Wells).

"Antitrust Implications of the Emerging Banking Environment," presented at the 31<sup>st</sup> Annual Banking Law Institute, Washington, D.C., May 31, 1996.

"Electronic Payments: New Questions, Few Answers," Journal of Retail Banking Services, Vol. 18, No. 2, Summer 1996.

"Consumer Finance: The Borrowing/Savings Dilemma," Journal of Retail Banking Services, Vol. 18, No. 3, Autumn 1996.

"Nonbank Competitors: Inroads Into Banks' Small Business Market," presented at American Banker/RMA Small Business Banking Conference, Chicago, Illinois, October 4, 1996.

"Why Banks Like Insurance (And Why Insurers Like Banks)," presented at Reinsurance Association of America Law Conference, Washington, D.C., October 8, 1996.

"Government Electronic Payments: A Wake Up Call For Banks," Journal of Retail Banking Services, (with James R. Wells), Vol. 18, No. 4, Winter 1996.

"The Nonbank Competition For Small Business: The Race Is On," Journal of Lending & Credit Risk Management, December, 1996.

1997 Small Business Banking Study, a study prepared for the Consumer Bankers Association, February 1997.

"Is Antitrust Dead: A Discussion About Product Markets and Competitors." Panelist, Financial Markets and Institutions, American Bar Association, 45<sup>th</sup> Annual Antitrust Spring Meeting, Washington, D.C., April 9, 1997.

"Electronic Government Payments: Issues for Credit Unions," presented at CUES Strategic Marketing Conference, Bal Harbour Florida, April 21, 1997.

"Views on the Safety Net Subsidy," Prepared for the Support Group for Modern National Banking, May 1997.

"EBT for All Americans—How to Reach the 'Unbanked'," Panel Moderator, World Research Group Conference on Electronic Benefit Transfer, Washington, D.C., May 2, 1997.

"Credit Scoring: Probabilities and Pitfalls," Journal of Retail Banking Services (with Howard Wilkins), Vol. 19, No. 2, Summer 1997.

"Managing Compliance Risk," Panel Moderator, 1997 American Bankers Association National Regulatory Compliance Conference, Washington, D.C., June 9, 1997.

"Risk Management: New Challenges Call for Integrated Solutions," Journal of Retail Banking Services, Vol. 19, No.3, Autumn 1997.

"Electronic Government Payments: EFT'99," Panel Moderator, Women in Housing and Finance, Inc. Symposium on the Future of the Payments System, Washington, D.C., November 7, 1997.

"Regulatory Requirements for Bank Risk Management," Panel Moderator, Risk Management Strategies Forum: Integrating Components of Comprehensive Risk Management, Bank Administration Institute, Scottsdale, Arizona, December 9, 1997.

"Integrated Risk Management: How to Operate in the New Environment," Banking Policy Report (with Scott Stoll), Vol. 17, No.1, January 5, 1998.

"The CRA Performance Test for Larger Banks: Putting It All in Context," Journal of Retail Banking Services, Vol. 20, No. 3, Spring 1998.

"National Banking in the Newly 'Modernized' System," Moderator and Panelist, The Future of National Banking: Facing New Threats and Seizing New Opportunities, a program sponsored by the Support Group for Modern National Banking and The Bankers Roundtable, Washington, D.C., March 4, 1998.

"Integrated Risk Management: A Dynamic Framework for Getting in Front of Risk," presented at the Federal Reserve Bank of Chicago 34th Annual Conference on Bank Structure and Competition, Chicago, Illinois, May 8, 1998.

"Integrated Risk Management and the Development of Risk-Based Pricing in the Sub-Prime Market" presented at the Conference on Operational Risk Management in Sub-Prime Lending, Chicago, Illinois, July 24, 1998. (with Balvinder Sangha)

"Risk Management: Business Imperatives and Regulatory Expectations," presented to the Bank Regulation and Risk Management Committee of The Bankers Roundtable, Washington, D.C., September 17, 1998.

"Integrated Risk Management Practices," presented at the FFIEC Risk Management Planning Seminar, San Francisco, California, October 15, 1998.

"Assessing Risk Management Systems," Regulator Panel Moderator, BAI Risk Management Strategies Forum, Orlando, Florida, October 20, 1998.

"Banking Organization: A Business Decision," Prepared for The Support Group for Modern National Banking, December 1998 and reprinted in The Banking Policy Report, Vol.18, No. 9, May 3, 1999.

Guiding Principles in Risk Management for U.S. Commercial Banks, a report prepared for The Bankers Roundtable (now The Financial Services Roundtable) and presented at The Bankers Roundtable Annual Meeting, April 1999 (Project Director).

"Assessing Risk Management Systems," Regulator Panel Moderator, BAI Enterprise-Wide Risk Management Conference, New York, NY, October 19, 1999.

"Risk Management Best Practices," Panelist, BAI Audit, Compliance, Electronic Security Conference, Las Vegas, Nevada, April 3, 2000.

"The Impact of Financial Modernization," Panelist, BAI Audit, Compliance, Electronic Security Conference, Las Vegas, Nevada, April 4, 2000.

"Enterprise Risk Management," presented at the FFIEC Risk Management Planning Seminar, Chicago, Illinois, June 1, 2000.

"Don't Tread on My Privacy," CrossCurrents: The Magazine for Financial Services Executives, Issue 2, Summer 2000.

Customer Benefits from Information Sharing by Financial Services Companies, a study conducted for The Financial Services Roundtable and presented at The Financial Services Roundtable Fall Meeting, September 2000 (Project Director).

"An Evolution in Risk Strategy," The RMA Journal, Vol. 83, No.2, October 2000.

"Financial Privacy," Panel Moderator, Midwest Regional Meeting, The National Investment Company Service Association, Denver, Colorado, October 12, 2000.

"GLBA Privacy Implementation," Seminar on Privacy Issues under the Gramm-Leach-Bliley Act and Their Implications for International Banks and Their Affiliates, Institute of International Bankers, New York, New York, October 31, 2000.

High Cost, Low Benefit: The European Union Privacy Directive and the Potential Impact of a Similar Law in the United States, a study conducted for the Financial Services Coordinating Council, March 2001 (Project Director).

"Is it always better to share? Careful what you do with customer information," Business Law Today, Vol.10, No.5, May/June 2001.

"Managing Privacy Risk: Keep Your Promise," The RMA Journal, Vol.83, No.9, June 2001.

"Data Protection Dilemma," (with Gautam Jaggi), EU Brief, June/July 2001.

"Strategic Risk: Quadruple Jeopardy," The RMA Journal, Vol.84, No.1, September 2001.

Attachment 4 – Political Contributions of \$500 or more during the last 8 years:

1994 - \$1000 to RNC  
 1995 - \$1000 to Dole for President Inc.  
 1995 - \$1000 to Dole for president Compliance Fund  
 1996 - \$1000 to RNC  
 1996 - \$750 to Dole/Kemp '96 Compliance Committee Inc.  
 1997 - \$1000 to RNC  
 1997 - \$750 to Friends of Alexandria, VA Republicans  
 1998 - \$1000 to RNC  
 1999 - \$1000 to RNC  
 1999 - \$1000 to Bush for President Inc.  
 2000 - \$2000 to RNC  
 2000 - \$2000 (joint) to Peavey for Mayor (of Alexandria, VA)  
 2001 - \$2000 to RNC  
 2001 - \$1000 to Senator John Warner Committee

## Attachment 5 – Qualifications to Serve as SEC Commissioner

I am a Ph.D. economist with 30 years experience in financial services regulatory and policy issues in the public and private sectors. My specific experience is as follows:

- **Federal Reserve Bank of Philadelphia, 1971-1974**  
Culminating in Senior Economist, Banking Structure Group.
- **Economics Supervisor, Cambridge University, England, 1974-1977**  
(while husband served in the U.S. Air Force in Lakenheath, England).
- **Board of Governors of the Federal Reserve System, 1977-1986**  
Positions included economist in the Financial Structure and Capital Markets Sections, Special Assistant to Governor Henry Wallich, one year detail to U.S. Treasury as Senior Economist, Office of Capital Markets Legislation, culminating in Chief, Financial Reports Section.
- **Economists Incorporated, 1986-1988**  
Senior Economist responsible for financial services practice.
- **Furash & Company, 1988-1997**  
Culminating in Managing Director for financial services regulatory and public policy practice.
- **Ernst & Young, 1997-2002**  
Director of Commercial Bank Risk Management in Risk Management and Regulatory Practice and subsequently Director, Financial Services Policy in Quantitative Economics and Statistics group.

Throughout my career, I have been involved in a broad range of activities that are of particular relevance to my role as an SEC Commissioner. These include:

**Financial Services Policy:** I have conducted research on a wide range of financial services policy issues including the effects of owner vs. manager control on bank performance, international competitiveness of U.S. banks, risk management of financial institutions, interstate banking implications, bankings' role in the payments system, benefits of information sharing, and meeting the needs of the underserved.

**Regulatory Compliance:** I have provided advisory services on compliance with regulatory requirements including antitrust in mergers and acquisitions, Community Reinvestment Act, privacy regulations under Gramm-Leach-Bliley, and risk management frameworks for large financial institutions.

**Financial Reporting:** As Federal Reserve Chief of the Financial Reports Section, I worked with Federal Reserve System and interagency groups to reconcile RAP/GAAP differences in bank reporting, revise reporting requirements to effectively capture changing industry practices, insure that the Federal Reserve system collected information needed to conduct its business, and review Reserve Bank compliance with information collection policies and procedures.

**Financial Literacy:** In a volunteer capacity, I have worked to improve financial literacy including serving as Board member and Treasurer of the Commission on Savings and Investment in America,

and, as Board member, developing a pilot financial literacy program for Hopkins House, a child care center for low-income families.

**Small Business:** At the Federal Reserve, U.S. Treasury, and in the private sector, I focused on small business issues including serving as staff liaison to Treasury's Small Business Advisory Committee, acting as Federal Reserve's Small Business economist, and conducting surveys of and studies on small business financing.

**Board Experience:** I have served on a number of boards of non-profit organizations including Hopkins House, a child care center for low-income families, Commission on Savings and Investment in America, Women in Housing and Finance, Federal Reserve Board Credit Union, National Economists Club, as well as the Colonnade and Porto Vecchio condominium associations.

As an economist, I believe strongly in free markets. However, for free markets to work effectively, there must be a free flow of relevant information. That requires clear, timely, and accurate information provided by businesses, and an understanding of that information by investors. To those ends, as an SEC Commissioner, I will do everything in my power to promote useful and transparent disclosure and financial literacy -- to protect the investors of America and maintain efficient capital markets.

Attachment 6 – Publicly Traded Equity Securities

NCRIC Group Inc.

Attachment 7 – Registered Investment Companies

Fidelity Asset Managed Growth Fund  
Fidelity Blue Chip Fund  
Fidelity Contra Fund  
Fidelity Dividend Growth Fund  
Fidelity Growth Company Fund  
Fidelity Low Price Stock Fund  
Fidelity Magellan Fund  
Fidelity OTC Fund  
Fidelity Overseas Fund  
Janus Mercury Fund  
Janus Overseas Fund  
Spartan U.S. Equity Index Fund  
The Torray Fund  
Vanguard S&P 500 Index Fund  
Ishares MSCI EAFE Fund  
Ishares S&P Midcap 400 Index  
Ishares SP Smallcap 800 Index  
Standard & Poors Dep. Receipts  
TIAA-CREF  
Vanguard Tax Exempt Money Market Fund  
Morgan Stanley Active Assets Tax Free Trust  
Morgan Stanley Active Assets Money Trust  
Salomon Smith Barney Money Funds  
Evergreen Municipal Money Market Fund



## Attachment 8 – Debt Securities

Indian River County Florida School District Ref OID 5.35  
 Florida St Div Bd Fin Gen Svcs Ref OID 4.90  
 Dade County Florida School District Series 95 5.20%  
 Palm Beach County Florida School District Gen 5.25%  
 Brevard Cty Fla Hlth Facs Auth Rev-Wuesthoff Mem OID 5.10  
 Seminole County Florida General Obligation Ref OID 5.10  
 Dade County Florida School District 5.00%  
 Palm Bay Florida Public Svc Tax Rev Ref 4.625%  
 Florida State Pollution Control FFC Series N 8.250%  
 Florida State Board Education Public Education Series D 6.100%  
 Florida State General Obligation Pollution Control 8.250%  
 Cape Coral Florida General Obligation Ref Wtr Swr 6.00%  
 Dade County Florida School District Ref OID 5.35  
 South Miami Fla Hlth Facs Auth Hosp Rev Ref-Baptist Hlth Sys 5.50%  
 Palm Beach County Florida School District Ref 6.00%  
 Dade County Florida School District Gen 4.80%  
 Tallahassee Muni Electric Revenue Florida 7.30%  
 Florida State Board of Education Series D 6.10%  
 Florida State Board of Education Cap Outlay OID 6.70 Series 91-C  
 Florida State Pollution Control Series N 8.25%  
 Florida State Div Bd Fin Dept Gen Svcs RV 2000-A 5.50%  
 State of Israel/Government of Israel Bonds  
 Albemarle Cnty VA Ida Hlth Svc Rev Var Univ Va Hth Svcs Fndtn 0%  
 Chesterfield Cnty VA Pub Impt G/O Unltd B/E OY 4.02%  
 Roanoke VA Pub Impt Ser A OID B/E OY 4.2%  
 Fairfax Cnty VA Ref-Pub Impt Ser A OY 4.55%

Attachment 9 –Former employer and clients served within the last year

Ernst & Young LLP  
 National Association of Realtors  
 Financial Services Coordinating Council  
 American Bankers Association  
 American Council of Life Insurance  
 American Insurance Association  
 Securities Industry Association  
 Investment Company Institute  
 AmSouth Bancorp  
 PNC Bank  
 Financial Services Roundtable  
 Federal Home Loan Bank of Cincinnati  
 Community First Financial  
 Annapolis Partners  
 Support Group for Modern National Banking  
 WesBanco, Inc.  
 United Health Group

**PREPARED STATEMENT OF ROEL C. CAMPOS**

MEMBER-DESIGNATE, U.S. SECURITIES AND EXCHANGE COMMISSION

JULY 23, 2002

Chairman Sarbanes, Senator Gramm, distinguished Members of this Committee, I cannot adequately describe to you the sheer delight that I feel and the deep appreciation that I have for the opportunity to appear before you today. I am deeply honored to have been nominated to serve my country on the Securities and Exchange Commission.

Please allow me to introduce to you my wife, Mini. Mini and I were high school sweethearts. She is my life partner, my closest friend, and wisest adviser. Mini is a graduate of Harvard Medical School and is a practicing physician. We have been blessed with two sons, David, who is 16 and Daniel, who is 12. Our sons bring Mini and me joy and pride every day of our lives. Regrettably, our sons could not be here with us today.

With your indulgence, I will very briefly share some of my life's experiences and perspectives and then provide a few observations about the unique challenges facing the SEC.

I am Mexican-American. My life's journey began in the small town of Harlingen, Texas, near the Mexican border in the southern tip of Texas. I was raised in a humble household, in which only Spanish was spoken. My father, who could not be here today, is 88 years old. Like many in his generation, my father had to drop out of school in the sixth grade to help on the family farm. Later, when his country needed him, my father volunteered and enlisted in the U.S. Army to serve in World War II. He saw combat in Europe and was wounded in Germany and became partially disabled. During my childhood, my father often had three or four jobs at one time to make ends meet and to provide for our family. My brothers and I would often help my dad in doing construction or whatever extra job he had committed to do. He taught my brothers and sister that honest hard work was noble, that service to our country was honorable, and that education was the most valuable possession a person could have.

My dad had a simple version of the American Dream. He believed that hard work and sacrifice would produce better opportunities for his children and permit him to live with dignity in his old age. Like millions of Americans today, my dad today is retired and lives on his savings, Social Security, and pension benefits. The series of recent business scandals and the resulting crisis of confidence in our financial markets threatens the future of my father and millions of retirees. In my home town of Houston, Texas, I have seen neighbors, who had worked for years for a certain major company, suddenly and without warning, be without a job, without meaningful severance, and with their retirement accounts wiped out. I worry, that inevitably, these corporate abuses may create a separate crisis of confidence and that the American public will come to question whether the American Dream has become an illusion. If confirmed, I pledge to work tirelessly with you and my colleagues at the SEC to restore the faith of the public in the integrity of our financial markets.

I have been blessed during my life to have had the opportunity to pursue higher education and to serve my country. As you know, apart from my military service, I was a Federal prosecutor in Los Angeles. I investigated, tried, and convicted Members of major criminal enterprises and sent them to jail. I am informed that if the Senate chooses to confirm me, I will be the first person to serve as an SEC Commissioner with a law enforcement background. If confirmed, I will bring my experience and accept the heavy responsibility to fairly and carefully judge and determine the appropriate enforcement action and sanctions in the many pending and future SEC investigations.

As you also know, I have spent about 16 years in private legal practice as a corporate transactions lawyer and as a corporate litigation and trial attorney. For the past few years, I have been an executive and part owner of a small private company. If confirmed, I will bring to the Commission my experience in having dealt with the challenges of building and operating a company in the private sector. One of the missions of the SEC that I will embrace if confirmed is to promote an environment in which small, entrepreneurial, and emerging companies can raise capital efficiently. As we all know, small and emerging companies will produce much of the Nation's future economic growth, creating a large share of tomorrow's new jobs and innovation, and such companies will help to validate the American Dream. Over the years, the SEC together with the able oversight of this Committee has earned universal respect and admiration. If confirmed, I promise to use all of my God-given abilities to uphold the SEC's legacy of exercising fair and tough-minded regulatory authority.

The Senate last week took a historic and courageous step restoring the public's confidence in the financial markets by passing the Public Company Accounting Reform and Investor Protection Act of 2002. I, along with the rest of the Nation, am in your debt Chairman Sarbanes for the crucial role that you and this Committee played in bringing about this legislation. If I am honored by being confirmed, I look forward with great anticipation to working with you Mr. Chairman, Senator Gramm, and this Committee, and with Chairman Pitt and my fellow Commissioners and the talented staff at the SEC. There is much work to be done. However, I believe that we can together succeed and ably discharge our sacred trust and our obligations to the American people.

Thank you for this opportunity to appear before you today. I will do my best with any questions you may have.

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Campos (LAST) Roel (FIRST) (OTHER)

Position to which nominated: SEC Commissioner Date of nomination:

Date of birth: 31 01 1949 (DAY) (MONTH) (YEAR) Place of birth: Harlingen, TX

Marital Status: Married Full name of spouse: Minerva Villarreal Campos

Name and ages of children: David Roel Campos 16 yrs. old  
Daniel Martin Campos 12 yrs. old

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	Harvard Law School	09/76 - 06/79	J.D.	06/79
	UCLA Graduate School of Business	07/71 - 03/72	M.S. Business	03/72
	USAF Academy	06/67 - 06/71	B.S.	06/71

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Department of Justice's Director's Award for Superior Performance (02/23/90)

**Memberships:** List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
KQOK, LLC	Managing Member	01/95 – Present
KQOK, Inc.	Director	01/95 – Present
El Dorado Communications, Inc.	Sr. VP/General Counsel	11/95 – Present
El Dorado 900, LLC	Director	06/97 – Present
El Dorado Broadcasting II	Director	06/98 – Present
KQOK License, Inc.	Director	07/98 – Present
KXTJ License, Inc.	Director	07/98 – Present
El Dorado 108, Inc.	Director	07/98 – Present
El Dorado 900, Inc.	Director	10/98 – Present
New America Alliance	Member	04/99 – Present
DANDAV Ltd.	General Partner	01/01 – Present
March of Dimes	Director	01/01 – Present
Roel Campos Consulting & Investing	President & CEO	04/02 – Present

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

11/95 – Present	El Dorado Communications, Inc. Sr. VP/General Counsel & Shareholder 1980 Post Oak Blvd., Suite 1500, Houston, TX 77056
10/92 – 11/95	Richman, Lawrence, Mann & Greene Attorney & Partner 9601 Wilshire Blvd., Penthouse, Beverly Hills, CA 90210
10/98 – 10/92	Rudin & Appel Attorney & Partner 9601 Wilshire Blvd., Suite 800, Beverly Hills, CA 90210
04/85 – 10/89	U.S. Attorney's Office Assistant U.S. Attorney U.S. Court House 312 N. Spring St., Los Angeles, CA 90024
07/84 – 04/85	Crowe & Day Associate Attorney 1888 Century Park East, Los Angeles, CA 90067
07/82 – 7/84	Cohen & Ziskin Associate Attorney 2029 Century Park East, Suite 1500, Los Angeles, CA 90067
07/79 – 1982	Jones, Day, Reavis & Pogue Associate Attorney 2029 Century Park East, Suite 3600, Los Angeles, CA 90067

**Employment record:** List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

**CONTINUATION**

9/76 – 5/79	Law Student Harvard Law School 1525 Massachusetts Cambridge, MA 02138
6/71 – 9/76	Officer U.S. Air Force Colorado Springs, CO 80840
6/67 – 6/71	U.S. Air Force Cadet U.S. Air Force Academy Colorado Springs, CO 80840

**Government experience:** List any experience in or direct association with Federal, State, or local government, including any advisory, consultative, honorary or other part-time service or positions.

1985 – 1989	Assistant U.S. Attorney – U.S. Attorney's Office
1971 – 1976	Officer – U.S. Air Force
1967 – 1971	Cadet - U.S. Air Force Academy

**Published writings:** List the titles, publishers and dates of books, articles, reports or other published materials you have written.

N/A

**Political affiliations and activities:** List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member of Democratic Party

**Political contributions:** Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Regina Coggins Montoya (Congres. Race)	\$1,000	12/30/99
David Lillehaug (Congres. Race)	\$1,000	12/30/99
Al Gore (Presid. Race)	\$1,000	6/30/99
John McCain (Presid. Race)	\$1,000	12/31/99
Carol Alvarado (City Council)	\$ 500	08/2001

**Qualifications:** State fully your qualifications to serve in the position to which you have been named.  
(attach sheet)

See Attachment 1

**Future employment relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes, I will resign all positions. I will still hold stock in El Dorado Communications, Inc. and I will be a shareholder in my Subchapter S corporation.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes



Potential conflicts  
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

See Form 278 and Ethics Agreement attached hereto.

3. Describe any business relationship, dealing or financial transaction (other than taxpaying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the last 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

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5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I will recuse myself from any matters involving such potential conflicts of interest. Also see Form 278 and Ethics Agreement attached hereto.

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Civil criminal and  
investigatory  
actions:

1. Give in full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

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2. Give the full details of any proceedings, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

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[You have received a non-confidential version of this document.]

Signed: Joel C. Bynum  
The undersigned certifies that the information contained herein is true and correct.

Date: 6/15/02

## ATTACHMENT 1 QUALIFICATIONS

*State fully your qualifications to serve in the position to which you have been named.*

I believe that I bring a unique and well-suited set of qualifications to the position of SEC Commissioner.

I majored in engineering management and economics at the U.S. Air Force Academy and I received a Masters in Business at the UCLA Graduate School of Business (The Anderson School). Afterwards, while pursuing my legal degree at the Harvard Law School, I received a thorough education in business and securities law.

My professional experience has included over sixteen years with corporate law firms as a corporate transactions lawyer and as a corporate litigation and trial attorney, including working on securities matters and public offerings.

I also served as an Assistant United States Attorney in the Central District of California in the Criminal Division, where I prosecuted major narcotic traffickers. While a federal prosecutor, I also prosecuted cases involving major contractor and aerospace company fraud.

I also served my country in the U.S. Air Force for nine years, four as an Air Force Academy Cadet and five years as an Officer. During my service as an Officer, I was responsible for major weapons procurement, assigned to the Air Force Procurement Office at the Boeing Plant in Seattle and also assigned to the Electronics System Division at Hanscom Field, Massachusetts. For several years, I negotiated overhead rates for the U.S. Air Force with the Boeing Company for use in cost reimbursement procurements totaling several hundred million dollars annually.

For the last seven years, I have been an executive, general counsel and part owner of a multi-million dollar revenue company that owns and operates radio stations in Houston, Texas. I have dealt with all of the challenges of building and operating a company in the private sector. I have managed employees and day-to-day operations. I also negotiated several large purchases and sale of radio stations and oversaw the legal work to document those transactions. The sale of those radio properties involved over \$100 million dollars.

In conclusion, I believe that I bring to the position, a broad and extensive legal background in both corporate transactions and as a business litigator and trial attorney. I also bring the perspective of a former federal prosecutor to the many SEC enforcement matters. I believe my education, legal and practical business experience has prepared me well for this position.

**ROEL C. CAMPOS**  
906 TARRINGTON COURT  
HOUSTON, TX 77024  
HOME: (713) 463-8138 CELL: (713) 927-4865  
EMAIL: [eldorlaw@aol.com](mailto:eldorlaw@aol.com)

June 25, 2002

Barbara B. Hannigan  
Ethics Counsel and  
Designated Agency Ethics Official  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Dear Ms. Hannigan:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Commissioner, Securities and Exchange Commission.

As required by 18 U.S.C. section 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any other person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2). I understand that the interests of the following persons are imputed to me: my spouse, minor children, or any general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

I own an equity interest in one publicly-traded corporation, Clear Channel Communications, Inc. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Clear Channel Communications, unless I first obtain a written waiver or qualify for a regulatory exemption.

I own a contract right of approximately 4% of the future appreciation of a radio station, KRRR (900 AM) in the Los Angeles, California area. This contractual right provides that in two years, if no sale of the radio station occurs, an appraisal will be conducted upon demand, and, if the value of the station has increased over \$9 million, I will receive the agreed upon percentage of the appreciation. I do not have now and will not have after my appointment as Commissioner any role in the management of the radio station nor any role in its sale. In addition, I have personally guaranteed the obligation of El Dorado 900 LLC to maintain in good order the existing lease for the tower transmission site of KRRR (900 AM). Until my contractual interests have expired I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the value of my contractual right to the appreciated value

of the radio station, unless I first obtain a written waiver or qualify for a regulatory exemption.

I also understand that the interests in registered investment companies listed in Attachment A present a potential conflict of interest under section 208(a). I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on my spouse's, my dependent children's or my financial interests in these investment companies, unless I first obtain a written waiver or qualify for a regulatory exemption.

Before assuming office as a Commissioner of the SEC, I will resign my positions as Senior Vice-President, General Counsel, and Director of El Dorado Communications, Inc. ("EDC"). EDC is a privately-held broadcasting company that owns and operates radio stations in Houston, Texas, the assets of which are currently being sold. Before assuming office as a Commissioner of the SEC, I will also resign as Managing Member, Officer and Director of each of the EDC corporate subsidiaries listed on Attachment B. I have entered into an agreement with EDC and its creditors regarding my share of the proceeds resulting from the ongoing sale of the assets of the company. According to that agreement, provided that the assets of the company are sold for an agreed upon minimum price, I will receive approximately \$700,000 as compensation for past services rendered. Separately, loans that I have made to EDC and that are listed in Schedule A to my public financial disclosure report as assets of DANDAV, my family limited partnership, will be repaid to me in the approximate amount of \$240,000.

EDC has entered into an agreement of sale that meets the minimum price discussed above. However, as the assets of EDC include radio station licenses, the sale of which require the approval of the Federal Communications Commission, this agreement is not yet final. After appointment, pursuant to 18 U.S.C. 205, I will not act as agent or attorney for EDC before the FCC or any other department, agency, court, court-martial, officer, or civil, military, or naval commission in connection with any covered matter in which the United States is a party or has a direct and substantial interest, nor will I participate personally and substantially in any particular matter that would have a direct and predictable effect on the value of my contractual rights, unless I first obtain a written waiver or qualify for a regulatory exemption. After the sale of all corporate assets, EDC will cease to conduct business but will continue to exist as a corporate shell. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of EDC, unless I first obtain a written waiver or qualify for a regulatory exemption.

I am a General Partner, with my spouse, of DANDAV, Ltd., a family limited partnership through which my family holds investment interests. I will continue to hold investments through DANDAV and will remain a General Partner after my appointment as Commissioner. However, I presently receive no compensation as General Partner, nor will I after my appointment as Commissioner.

Before assuming office as a Commissioner of the SEC, I will suspend all business and professional activities of Roel Campos Consulting and Investing Inc., which is a personal

Subchapter S corporation of which I am the sole shareholder, President and Chief Executive Officer. The corporation was formed a vehicle for me to hold and invest proceeds from consulting services I previously conducted outside of EDC. The corporation will continue to act as a repository for these funds and I will continue to hold investments through the corporation. It will receive and distribute income and will pay taxes. I will receive no compensation. I will not participate personally and substantially in any particular matter that will have a direct and predictable effect on the financial interests of Roel Campos Consulting and Investing Inc., unless I first obtain a written waiver or qualify for a regulatory exemption.

Before assuming office as a Commissioner of the SEC, I will also resign my position as Director of the Houston March of Dimes. For one year following my appointment, I will not participate in any party matter in which this organization is or represents a party, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E.

If confirmed as Commissioner, I will not participate in any party matter which is likely to have a direct and predictable effect on the financial interests of a member of my household where it is determined that the circumstances would cause a reasonable person with knowledge of the relevant facts to question my impartiality in the matter, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E. In addition, for one year following my appointment, I will not participate in any particular matter involving specific parties in which to my knowledge a person for whom I have served as officer, director, trustee, general partner, agent, attorney, consultant, contractor or employee within the last year is or represents a party, unless I am authorized to participate under the provisions of 5 C.F.R. Part 2635, Subpart E. In particular, I will not participate in any party matter in which Goldman Sachs & Co. is or represents a party for the duration of my service as Commissioner, unless I am authorized to participate under the provision of 5 C.F.R. Part 2635, Subpart E.

Finally, I will provide the appropriate officials with a list of those interests I have retained (or may acquire) in order to support my efforts to avoid conflicts of interest. In addition, I will recuse myself from participation on a case-by-case basis in any particular matter in which, in my judgment, it is desirable for me to do so in order to avoid the possible appearance of impropriety, despite the lack of any actual conflicts.

Sincerely,



Roel C. Campos

**Attachment A – Registered Investment Companies**

American Century (Ultra)  
 Orbitex Focus 30 Mutual Fund  
 Invesco (Health Science) Mutual Fund  
 Vanguard Wellesley Income Fund  
 Vanguard Wellington Fund  
 Vanguard Reit Index Fund  
 Vanguard Tax Managed Small Cap Fund  
 Vanguard Total Bond Market Fund  
 Vanguard Strategic Equity Fund  
 Vanguard Capital Opportunity Fund  
 Fidelity Contrafund  
 Fidelity Growth and Income Fund  
 Fidelity Intermediate Bond Fund  
 Fidelity High Income Fund  
 Prudential Equity Fund  
 Prudential Value Fund  
 Prudential High Yield Fund

**Attachment B – EDC Resignations**

KQK LLC  
 KQK Inc.  
 El Dorado 108, Inc.  
 El Dorado 900, Inc.  
 El Dorado 900 LLC  
 El Dorado Broadcasting II  
 KQK License, Inc.  
 KXTJ License, Inc.



**RESPONSE TO A WRITTEN QUESTION OF SENATOR CORZINE  
FROM CYNTHIA A. GLASSMAN**

**Q.1.** Senator Corzine would like to give both nominees the opportunity to answer the second part of his question regarding whether there has been a misallocation of capital given the current footnoting of options.

**A.1.** To the extent that the average investors do not understand the implications of a company's grant of stock options on the company's earnings, their investment decisions are not fully informed. Investments made on the basis of such an inadequate understanding would result in the misallocation of resources because those companies that issue such options may be perceived to have higher earnings than they would if the impact of the options were fully understood.

While information on the impact of stock options is contained in the footnotes to financial statements, it is my impression that, at least until recently, many investors were not aware of the information and what it meant for them. Given the recent publicity on the issue, investors, analysts, and the media are much more cognizant of the dilutive effect of stock options and the impact of stock options on investors' returns. More transparency of the impact of stock options could only result in better resource allocation.

**RESPONSE TO A WRITTEN QUESTION OF SENATOR CORZINE  
FROM ROEL C. CAMPOS**

**Q.1.** Senator Corzine would like to give both nominees the opportunity to answer the second part of his question regarding whether there has been a misallocation of capital given the current footnoting of options.

**A.1.** Assuming the Senator refers to capital that has been used to purchase equity, the answer would depend on the quality of the analysis done in evaluating the financial statements. Presumably, sophisticated analysts and users of financial statements have used and interpreted footnotes and understood the consequences and use of stock options in effecting earnings per share and the ultimate net income results. To the extent users of financial statements have not been sophisticated users of financial statements, then the impact of stock options may not have been properly assessed to determine the prospects of an investment in that company. Clearly, most of the Members of the public are not sophisticated users of financial statements and likely have not understood the impact on earnings and future share price from the existence of stock options.